

ASX Announcement (ASX: HLS)

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Healius announces Trading Update for FY 2024

Following its trading update on 20 November 2023, Healius today announces a trading update for FY 2024.

1H 2024

- Guidance remains unchanged
- Healius expects underlying EBITDA of \$158 million - \$161 million and EBIT of \$14 million – \$17 million for 1H 2024, in line with guidance. (Healius recorded \$57 million of COVID-related revenues in 1H 2023 which equated to an EBIT impact of approximately \$24 million¹.)
- A full presentation of the 1H 2024 results will be made to the market on 27 February 2024 as scheduled

FY 2024

- Healius now expects underlying FY 2024 EBITDA of \$359 million - \$369 million and EBIT of \$70 million - \$80 million based on;
 - A significant moderation in Medicare Benefits Paid (ex-COVID) for November 2023 +2.9%, and December 2023 +3.1%
 - HLS Q2 2024 core pathology volume growth of 1.9% on pcip
- Previous HLS guidance assumed that core pathology volumes would grow 6% - 8% in 2H 2024. Pathology core volume growth was 6.5% in Q1 2024 and 4.2% in 1H 2024.
- Medicare Benefits Paid for BAU Pathology (ex-COVID) experienced a strong start to the financial year with growth rates exceeding 10% for the four months to October 2023 compared to pcip. However, November and December 2023 Medicare Benefits Paid (ex-COVID) softened significantly, with month-on-month growth rates reducing to low single digits as set out above
- The sector continues to observe changing dynamics and is experiencing a two-speed market recovery (low growth for GP volumes compared to high growth Specialist volumes)
- Healius has greater exposure to the GP market compared with the Specialist market. Continuing softness in GP attendances (down 3.9% in 1H24 compared with pcip), and

¹ Since combined Respiratory/COVID comprises over 80% of all requests linked to the new codes introduced in October 2022, all combined Respiratory/COVID tests are now recorded in core trading.

resulting Pathology referrals, caused by GP shortages and general cost of living pressures, have impacted the rate of recovery

- Against this context HLS has maintained its share of the Medicare Benefits Paid at circa 24%
- Lumus Imaging and Agilex Biolabs have continued to perform in line with expectations

Transformation Program

HLS will be providing a more fulsome update regarding plans to restructure the Pathology business at the 1H 2024 Results Presentation.

The volume growth seen in the first quarter of FY 2024 has softened and the company is responding with an accelerated plan to reshape the business and match costs to current volumes. There is recognition that the margin dislocation in the post COVID period caused by low core Pathology growth, and a high inflationary environment, creates an imperative that significant changes are required to both the cost base and the structure of the Pathology operations.

These changes are in 3 phases;

1. Resizing labour, support costs and procurement – complete / ongoing
2. Changing the size and structure of how our laboratory network operates - underway
3. Clean sheet automated main laboratories – to materially change cost structure

At the same time, Healius, in conjunction with the Pathology Industry is campaigning for indexation which it has not had for 24 years.

Impairment

A non-cash impairment charge of \$603 million will be made to goodwill in the Pathology division in the 1H 2024 results. The impairment relates to the near-term lower volumes and cashflows at a point in time as required by accounting standards, along with an increase in the Weighted Average Cost of Capital.

This impairment is a direct result of the significant goodwill carried on the balance sheet as part of the Symbion acquisition in 2008.

ENDS

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

For further information contact:

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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.