

A woman with long dark hair, wearing a white lab coat, is smiling and looking at a computer monitor in a laboratory or office setting. The background shows various pieces of equipment and a clean, professional environment. The image is overlaid with a semi-transparent red and blue gradient.

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FY 2024 Results

21 August 2024

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Group overview

Paul Anderson

Chief Executive Officer & Managing Director

Underlying EBITDA and EBIT in line with guidance

Revenue BAU

\$1.74b

\$1.64b in pcp (up 6.1%)

Underlying EBIT

\$65.4m

\$99.0m in pcp

Pathology Revenue

\$1.27b

BAU revenue growth 4.7% inc. Agilix

Imaging Gross Revenue

\$519.0m

Revenue growth 5.7%

Underlying EBITDA

\$346.6m

\$376.2m in pcp

Reported EBITDA

(\$298.1m)

(\$57.8m) in pcp

Financial Performance

Group BAU revenue up 6.1%.

- Pathology revenue
 - BAU revenues up 4.7% including Agilix
 - Covid revenue down \$61m
- Lumus Imaging
 - Revenue growth of 12.2% (ahead of MBS benefits growth of 9.1%)¹
- Underlying EBITDA of \$347m
- Net Debt at 30 June 2024 was \$361m and Gearing at 4.1x

1. When adjusting for Northern Public Hospital insourcing, Medical Centres and BUPA

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.

Pathology

Financial (excluding Agilix)

- BAU pathology revenue up 4.2%, with volume growth of 4.0% for FY24
- Cost growth limited to 2.8%
- EBIT of \$33.3m for FY24 (2H24 – \$29.3m), EBIT margin of 2.7% (4.7% for 2H24)

Operational

Market Factors

- Inflationary pressures remain – labour, rent and consumables
- GP visits down by 1.5%, Specialists up 2.7%
- Indexation – sector-based campaign to Keep Pathology Bulk Billed

Transformation Program

- Net benefits of \$20.4m were achieved in FY24, ahead of guidance of \$15.0m
- Broad ranging program to increase revenue, improve productivity of our collection centres and laboratory operations, and leverage technology to facilitate more effective and efficient ways of working
- FY25 plan targeted at revenue growth and driving efficiency through a standardised national operating model

Pathology Strategy

Focused on providing better services for our patients and referrers to improve the volume and quality of the revenue we generate, and to become more efficient in our processes

- Strategy redefined as part of recent operating and strategic review
- Focused on doing basics well, repositioning for current economic conditions and future growth
- Clinically driven pathology business with large footprint
- Patient and referrer single focus, enabled by technology
- Laboratory modernisation a key measure driven by Pathologists and Scientists

Pathology Strategy

Focused on providing better services for our patients and referrers to improve the volume and quality of the revenue we generate, and to become more efficient in our processes

Customer service

- Providing consistent and high-quality service across all touchpoints for patients and referrers
- Improving technology, training and recruitment in collection and call centres

Laboratory modernisation

- Simplify and automate workflows
- Standardise processes and improve productivity
- Reduce administrative burden
- Cost efficiency a natural by-product

Emerging diagnostics

- Diversifying from MBS
- Higher margin products and services
- Focused on genomics, preventative screening and B2C/B2B offerings

Enabled by:

Digital technologies

- Customer facing solutions to improve services for patients and doctors
- Clinical systems that underpin core workflow in laboratories
- Modern data platform that provides a secure infrastructure

People and ways of working

- New standardised national operating model
- Core functions:
 - Customer & Commercial
 - Laboratory Operations
 - Clinical Integration

Agilex Biolabs

Financial

- Revenue for FY24 grew 20.8% to \$39.5m
- EBITDA of \$8.9m was 102.3% higher than pcp
- EBIT for FY24 grew 292.3% to \$5.1m from \$1.3m

Operational

- New commercial agreements signed during the year and since year end open up new channels of bioanalytical work, with benefits to be realised in FY25
- Strong cost management delivering margin expansion
- Management and business development teams strengthened
- Strong revenue pipeline for 1H25

Lumus Imaging

Financial

- Top line gross revenue growth of 5.7%
- Community and hospital channels exceeding market with growth of 12.2%¹ (ahead of MBS benefits growth of 9.1%) – comprise over 81% of revenue
- Volume growth of 7.3%
- Average fee increase of 4.7%
- EBIT margin 8.1%, up from 7.7% (2H24 margin of 9.1%)²

1 Excluding the impact of Northern Public hospital contract and BUPA.

2 EBIT margin calculated as a percentage of gross revenue.

Lumus Imaging

Operational

- Investments in large scale comprehensive clinics, improved modality mix and pricing initiatives are driving above market growth
- Community site strategy to increase average revenue per clinic ahead of plan
 - 2 new Greenfields sites in FY24 at Jimboomba and Narangba, 4 new MRI services launched in FY24
 - 4 new comprehensive Greenfield sites planned in FY25
- Hospital segment
 - Opened 2 new sites at Ramsay's Northern Private and Healthscope's La Trobe in FY24
 - Launch of PET at Northern Beaches Hospital in FY24
 - Successful reporting contract win – North Sydney LHD
- Radiologist costs stable at ~27% but marginally up on pcp due to ramp up of new greenfield sites and shift in employment model
 - 30 new radiologists recruited in FY24 and strong pipeline into FY25
- Medical Centres has improved marginally in FY24, however will still exit from underperforming clinics at end of lease term in 2027

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Key financials

Steve Humphries
Chief Financial Officer

FY24 Group Results

	FY24	FY23	
	\$m	\$m	Chg %
BAU revenue	1,743.7	1,643.5	6.1%
Covid revenue	2.5	63.5	(96.1%)
Total revenue (Underlying)	1,746.2	1,707.0	2.3%
EBITDA (Underlying)	346.6	376.2	(7.9%)
D&A	(281.2)	(277.2)	1.4%
EBIT (Underlying)	65.4	99.0	(33.9%)
Non-underlying items	(41.6)	(44.2)	(5.9%)
Impairment charges	(603.2)	(388.9)	55.1%
Transactions with disc. operations	0.1	(0.9)	(111.0%)
EBIT (Reported)	(579.3)	(335.0)	72.9%
Interest	(70.8)	(62.3)	13.6%
Tax	14.1	17.3	(18.5%)
Loss from disc. operations	(9.8)	12.2	(180.3%)
NPAT (Reported)	(645.8)	(367.8)	75.6%

Underlying EBIT in line with guidance

- Group BAU revenues up 6.1% / Covid revenues reduced \$61.0m
- Continued GP referral softness in Pathology, inflationary cost pressures and lack of indexation resulting in margin compression
- Agilex Biolabs - strong growth in revenue and EBIT
- Lumus Imaging gross revenue up 5.7%, 12.2% growth in community and hospital channels ahead of market (when adjusting for Northern Public, BUPA and Medical Centres)
- D&A up 1.4%, reflecting inflationary impact of ACC rents offset by favourable rent negotiations and decrease in footprint
- Non-underlying items of \$41.6m - consistent allocation, mainly Digital and transaction/restructuring costs
- Impairment charge of \$603.2m relates to Pathology impairment recognised in 1H24
- Discontinued operations - includes the settlement of warranty claim and impairment of leases

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Pathology (excluding Agilex)

	FY24	FY23	
	\$m	\$m	Chg %
BAU revenue	1,225.9	1,176.1	4.2%
Covid revenue	2.5	63.5	(96.1%)
Total revenue	1,228.4	1,239.6	(0.9%)
EBITDA	251.6	289.1	(13.0%)
EBIT	33.3	77.4	(57.0%)
<i>EBIT margin</i>	<i>2.7%</i>	<i>6.2%</i>	<i>(56.7%)</i>

BAU revenues up 4.2%

- Volume improvement in 2H contributing to BAU revenue growth as Covid impact is cycled out
- Average fee flat, growth impacted by mix and HLS skew towards GP sector
- Increase in expenses of 2.8%. Margins impacted by inflationary cost pressures:
 - Labour was up 3.4% (excluding savings from Covid cost out), reflecting EA rate and legislated increases, partially offset by a 1% reduction in FTE's.
 - Most property leases incurred CPI rate increases
 - Consumables expense excluding Covid, was 16.3% of revenue, an increase from 15.8% in pcp

Agilex Biolabs

	FY24	FY23	
	\$m	\$m	Chg %
Revenue	39.5	32.7	20.8%
EBITDA	8.9	4.4	102.3%
EBIT	5.1	1.3	292.3%
EBIT margin	12.9%	4.0%	224.8%

Strong revenue and margin improvement

- Revenue up 20.8%
- EBITDA up \$4.5m (102%) and EBIT up \$3.8m (292%) vs pcp
- Notable margin expansion through revenue growth and strong cost management
- New commercial contracts signed during the year and since year end open up a new channel of MS, IA & IB bioanalytical work, underpins growth trajectory for FY25
- Market fundamentals, strategic rationale, competitive position remain

Lumus Imaging

	FY24	FY23	
	\$m	\$m	Chg %
Gross revenue ¹	519.0	491.1	5.7%
Statutory revenue	474.5	431.2	10.0%
EBITDA	97.3	96.2	1.1%
EBIT	41.9	37.8	10.8%
EBIT margin ²	8.1%	7.7%	4.9%

Above market revenue growth continues to drive EBIT growth and margin expansion

- Achieved above market gross revenue growth of 12.2% in our Community and Hospitals segments³ on pcp, which reflects:
 - Volume growth of 7.3%
 - Average fee growth of 4.7%
- BUPA contract – strong recovery in 2H following resumption of testing requirements
- Radiologist recruitment supported by new engagement model with 30 new radiologists in FY24
- 4 new clinics opened in 2H24, with 4 planned for FY25 and ongoing investment in high value modalities

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

2. Margins calculated based on gross revenue.

3. Excluding BUPA and Northern Public Hospital contract.

Cashflow and capex

Cashflow carefully managed; targeted capex for sustainable growth

FY24 Gross Operating Cashflow

\$243m

Adjusted cash conversion

85%

FY24 maintenance capex

\$28m

\$40m in pcp

FY24 growth capex

\$36m

\$36m in pcp

FY25 maintenance capex

\$30-40m

Consistent with previous guidance

Highlights

- 85% conversion of EBITDA to gross operating cash flow¹
- Maintenance capex \$28m, primarily site refurbishments for ACC's and imaging sites and replacement of aged equipment
- Growth capex \$36m with targeted spend on site expansions, and higher value modalities & infrastructure, including technology
- Maintenance capex in FY25 expected to be ~\$30-40m for sustainable investment (consistent with FY24 allocation)
- Growth capex oriented to organic growth, with focus on ROIC (Greenfield & Brownfield imaging sites, ACC footprint optimisation and technology)

1. EBITDA has been adjusted for non-cash items and cash cost of non-underlying items and discontinued operations.

Debt management

Disciplined capital management remains a key focus

FY24

- Net debt reduced to \$361m (\$447m FY23), net proceeds from capital raise of \$179m
- Gearing¹ at 4.1x – covenant² of <4.5x
- Interest cover at 3.1x – covenant of >3.0x
- 6.14% WACD³ reflecting further increases in BBSY and higher margins due to gearing levels
- 74% of drawn debt hedged

FY25 Outlook

- Capital management remains a major focus
- Lumus Imaging sale process impact to be determined
- Disciplined capital investment with defined hurdles for growth
- Gearing and interest cover to remain within bank covenants

Debt Facilities

- Bank Facilities reduced to \$680m
- Refinancing successfully completed, both facilities now with March 2027 maturity
 - Strategic operating review completed

¹ Bank gearing ratio is calculated on banking EBITDA of \$88.9 million (underlying rolling 12-month EBITDA of \$346.6 million before \$258.6 million for AASB 16, \$0.9 million for AASB 15, gain on sale of assets and share-based payments expense) and banking net debt of \$364.9 million (which is net debt of \$360.7 million excluding unamortised borrowing costs of \$4.2 million).

² Debt covenant raised to 4.5x for 30 June 2024 and 31 December 2024 testing dates.

³ Weighted Average Cost of Debt pre-tax.

FY25 outlook

- Pathology has continued its growth trajectory during July and August with volumes currently trending over 4% ahead of pcp
- Imaging exam volumes up approximately 15% and revenue up 12% for the year to date
- Agilex to continue significant revenue and EBIT growth – performing in line with expectations
- Renewed Pathology Strategy and Transformation Plans for FY25
 - Continue to deliver on growth initiatives and efficiency opportunities, through new ways of working, increased automation, digitisation and the use of AI and other technology enablers

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Appendix

Underlying v Reported Reconciliation

	FY24	FY23
	\$m	\$m
Underlying EBIT	65.4	99.0
Digital transformation costs	(25.8)	(21.7)
Transaction and takeover bid costs	(7.7)	(8.6)
Termination and other costs	(8.1)	(13.9)
Impairment of leased assets	-	(39.1)
Impairment of goodwill	(603.2)	(349.8)
Transactions with discontinued operations	0.1	(0.9)
Reported EBIT	(579.3)	(335.0)

	FY24	FY23
	\$m	\$m
Underlying NPAT	(3.8)	25.7
After-tax adjustments to underlying EBIT	(451.3)	(303.8)
Tax differential for non-deductible items	(180.9)	(101.9)
(Loss)/profit from discontinued operations	(9.8)	12.2
Transactions with discontinued operations - net of tax	-	-
Reported NPAT incl. discontinued operations	(645.8)	(367.8)

Divisional reconciliation – underlying

		Pathology \$m	Imaging \$m	Corporate \$m	Group ¹ \$m
FY24	Revenue	1,267.9	474.5	4.2	1,746.2
	EBITDA	260.5	97.3	(11.2)	346.6
	EBIT	38.4	41.9	(14.9)	65.4
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

¹ In FY24 \$0.4 million (FY23: \$0.4 million) of intercompany revenue/expense was eliminated at a Group level.

Pathology Segment

	FY24	FY23	
	\$m	\$m	Chg %
Revenue	1,267.9	1,272.3	(0.3%)
EBITDA	260.5	293.5	(11.2%)
EBIT	38.4	78.7	(51.3%)
EBIT margin	3.0%	6.2%	(51.1%)

Pathology segment revenue and EBIT impacted by Covid

- Segment BAU revenues improved in 2H24, YoY up 4.7%
- EBITDA comprises \$6.1m in 1H24 and \$32.3m in 2H24
- EBIT margin was 5.0% in 2H24 and 3.0% for FY24

Refer to Pathology and Agilex slides on 13 and 14 respectively for further detail.