



ASX Announcement (ASX: HLS)

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**HEALIUS LIMITED (ASX:HLS)
ANNUAL GENERAL MEETING 2024**

CEO SPEECH

Good morning everyone and thank you for joining us today.

Along with the Board, today we have various members of the Healius Management Team in the room, including Dr Phil Lucas, the Group Executive of Lumus Imaging, and Steve Humphries our Chief Financial Officer.

In this last financial year, we have made a good deal of headway on initiatives that we believe will make a real difference to our business.

As you would be aware, in March 2024, I was appointed Chief Executive Officer of Healius. At that time, the Management Team were asked to undertake three specific tasks.

The first task was to refinance our bank debt. This was completed in May 2024, and we now have bank facilities of \$680m, expiring in March 2027. It is our current intention to refinance these debt facilities in 2025 following completion of the sale of our imaging assets.

The second task was to undertake an Operating and Strategic review of the assets of the business. This resulted in the announcement of the sale of Lumus Imaging to Affinity Partners for a headline price of \$965m on 23 September 2024. This transaction is expected to complete in early 2025, subject to a number of conditions, including Foreign Investment Review Board approval.

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And the last, and most important task as part of the Operating and Strategic review, was to redefine the strategy for our Pathology business, with a focus on doing the basics well and repositioning our operations for both current economic conditions and future growth.

The five strategic priorities are:

1. Improving the customer service for our patients and referrers
2. Modernising our network of laboratories
3. Using digital technology as an enabler across the business
4. Embedding our new national operating model through our people and ways of working, and
5. Capitalising on new and emerging diagnostic opportunities.

Our 2024 Annual Report sets out more details on each of these very important priorities.

Since the sale of Lumus Imaging was announced, there has been considerable shareholder interest in the progress of our Pathology strategy, our future capital structure, and how we will utilise the proceeds from the sale.

We plan to hold an Investor Day in the first quarter of 2025 and, at that time, will provide a detailed update from the Management Team on the progress of the Pathology strategy and our transformation plans.

Reflecting the fact that Healius is in the relatively early stages of its Pathology transformation program, the company intends to maintain a conservative capital structure post the sale of Lumus Imaging for the near term, with minimal levels of debt.

Over time, Healius will continue to assess its capital structure with the objective of reducing its overall cost of capital, while also maintaining the flexibility to grow the business and pay an ongoing dividend to shareholders.

In terms of returning cash to shareholders, Healius has \$161m of franking credits, so within the context of maintaining minimal levels of debt in the near term, on the completion of the Lumus Imaging sale, it is our intention to return the majority of these proceeds following the repayment of debt, to shareholders via a special dividend. We will provide shareholders with further details on this once the exact proceeds of the sale are known.

As we stated at the announcement of the Lumus Imaging sale, with the simplification of its operations, Healius will take a robust approach to streamline its corporate cost base and planning for this is well progressed.

We are conscious that the new Pathology strategy, focused on revenue growth and completing our digital program to enable efficiencies in the medium to long term, is going to take time to embed in the business, and we will provide more detail, along with the progress we are making, at our upcoming Investor Day.

In terms of a trading update - Pathology volumes have increased by 4.5% for the year to date, with revenues growing by 5.9%. While this is pleasing, it is worth noting that this does not translate immediately to earnings due to our investment in growing revenues as a key pillar of our strategy, along with labour cost pressures for EBAs and other inflationary increases.

We expect Pathology EBIT for the first half of 2025 to be broadly in line with 1H24. Importantly, we believe that our market share has stabilised over the past six months as we roll out our new strategy, with its strong focus on revenue and investment in Collection Centre performance.

As was the case in FY24, we anticipate a material increase in Pathology earnings in 2H25, based on the volume skew between the first and second halves of the financial year, and the benefits of our transformation plans translating to earnings.

Lumus Imaging has continued its strong growth with exam volumes up 16% and revenue up 11% for the year to date. We expect EBIT to increase by approximately 40% for 1H25 compared with pcp.

At our Investor Day in 2025, it is our intention to set out medium term financial targets and timing for the Pathology business. As a guide, we believe that high single digit EBIT margins are achievable, and we intend to provide more detail on this at the time.

Lastly, I would like to make some comments about indexation, or more importantly the lack thereof for the last 25 years in the pathology sector.

Australian Pathology's *Keep Pathology Bulk Billed* campaign continues to profile the need for indexation on all pathology rebates. Throughout the course of this year, the campaign has generated more than 70,000 emails to the inboxes of our Members of Parliament.

Unfortunately, the Federal Budget 2024-25 provided with one hand while taking away with the other. While the Budget provided delayed indexation for only one-third of pathology items (to the tune of \$174 million) it introduced "efficiencies" in the order of \$356 million. We know that efficiencies are political-speak for "cuts" and it did not take long to learn that the Government is exploring cuts to both Vitamin B12 and Urine tests.

This is alarming because these tests are commonly accessed across the population, but it is more alarming when we consider that 66% of all people who undergo these tests are women. These cuts are not evidence-based and are in direct contrast to the government's commitment to women's health.

Without full and fair funding, pathology providers will have little choice but to introduce co-payments or close collection centres and laboratories. Neither is a palatable choice when we know that pathology is the last remaining bastion of bulk billed health care.

What is continually lost in the mix is that early screening and diagnosis is fundamental to reducing downstream healthcare costs in Australia. The clinical reality is that 100% of all cancer diagnoses rely on pathology and 70% of all treatment decisions rely on pathology.

We need to continue pressing the importance of this issue and see it through until the Federal Government — of whichever political persuasion — reverses the cuts and locks in indexation for all pathology items.

In wrapping up, it has been a very busy and important year for your company. We have listened to you, our Shareholders, and over the past six months have reshaped the strategy and capital structure of the business with a detailed plan to create further shareholder value through rebuilding the Pathology business.

Finally, I would like to say a special thank you to the entire Healius team across the country for their focus, hard work and dedication over this past year and to you, our shareholders, for your continued support. I look forward to updating you on our progress in the coming months.

Paul Anderson
Managing Director and CEO

ENDS

Authorised for release by the Company Secretary