

ASX Announcement (ASX: HLS)



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Healius announces strong results and financial position, positive start to FY 2022

- Pivotal role in Australia's public health response to COVID-19
- Continued provision of non-COVID critical healthcare services
- Outstanding effort by our people
- Target carbon neutrality by 2025
- Significant progress on strategic initiatives
- Underlying and reported EBIT more than doubled on revenue growth of 22%
- Underlying NPAT up 179%
- Strong cash flow and balance sheet

	FY 2021 \$M UNDERLYING ¹	FY 2020 \$M	FY 2021 \$M REPORTED	FY 2020 \$M
Revenue	1,913.1	1,572.4	1,900.7	1,557.0
EBIT	266.5	129.0	255.4	92.1
NPAT (Reported incl. discontinued operations)	148.4	53.1	43.7	(70.5)
Cash flow from operating & investing activities			912.8	285.0
Dividends cps 100% franked			13.25	2.6

Healius Limited (Healius) (ASX: HLS) today announced a doubling of underlying¹ EBIT from continuing operations to \$266.5 million, underpinned by a 22% increase in revenue to \$1,913.1 million for the year ended 30 June 2021 ("FY 2021"), with all divisions up on the prior period and the Sustainable Improvement Program ("SIP") contributing both revenue growth and cost control.

\$525.9 million was generated in operating cash flow (representing 106% conversion of EBITDA) and \$386.9 million in capital recycling (the Healius Primary Care sale proceeds) net of capital investment. As a result, the Group:

- reduced its debt by \$555.7 million,
- undertook a \$101 million on-market share buy-back program,
- determined total fully franked dividends of 13.25 cents per share representing a payout ratio of 62% of reported NPAT², and
- retained substantial funds for investment in the future growth of the business.

¹ Underlying results for continuing operations for both years include the impact of AASB 16. They exclude the impact of discontinued operations (both Healius Primary Care and Adora Fertility with three co-located Day Hospitals), together with certain non-underlying items. For a reconciliation and analysis, refer to the review of operations in the 4E or the investor presentation.

² Based on reported NPAT of \$129.4 million from continuing operations (favourably adjusted for the non-cash write-off of \$63.1 million relating to a legacy case against the Australian Taxation Office).

Divisional performance was as follows:

UNDERLYING 30 JUNE 2021 \$M	PATHOLOGY	IMAGING	DAY HOSPITALS	CORPORATE	TOTAL ³
Segment Revenue	1,452.1	406.9	49.5	6.8	1,913.1
EBIT	252.8	30.9	9.0	(26.2)	266.5

- **Pathology** delivered substantial growth from its community and commercial COVID-19 testing, undertaking 5.75 million tests to-date. Non-COVID revenues also grew demonstrating the resilience of core healthcare services.
- **Imaging** grew revenue in all channels with expansion at the Northern Beaches Hospital in Sydney being a highlight. However, it was impacted by lockdowns in the states where it operates especially in Victoria, where the division has a large hospital portfolio and a strong presence in metropolitan areas.
- **Day Hospitals⁴** nearly trebled its performance primarily due to the on-going growth in its multi-specialist Westside Private Hospital in Brisbane, which at its peak undertook ~1,000 procedures per month and successfully trialled short-stay surgery for hip and knee replacements.

Commenting on the results, Managing Director and Chief Executive Officer, Dr Malcolm Parmenter said: "Our overriding aim throughout the COVID-19 pandemic has been ensuring we play an instrumental role in Australia's public health response. This has extended the team well beyond our normal capacities and capabilities, including reconfiguring our laboratories to accommodate new equipment, protecting the health and safety of our own people, rolling-out drive-through testing clinics in numerous locations for safe and easy public access, and operating our pathology facilities for significantly extended hours, often 24 hours a day / 7 days a week.

"What's more, we have delivered our non-COVID healthcare services efficiently and effectively within the restrictions of various state lockdown requirements, helping maintain the health of the nation through frontline diagnosis and day surgery.

"While it would have been acceptable to defer our portfolio, capital and other strategic initiatives due to the immediate demands of COVID-19 testing, our people have also delivered on these initiatives resulting in a significant year of growth in shareholder returns. Measurable achievements over the daily COVID imperative in FY 2021 have included:

- Successful portfolio simplification with the completion of the Healix Primary Care sale and, more recently, the Adora IVF sale.
- Strong top-line growth in Day Hospitals and in Pathology's commercial revenue streams.
- SIP delivery, including rationalising our diagnostics footprints with immediate EBIT benefit and delivering savings in overhead costs ahead of schedule.
- Successful delivery of strong operating cash flows which together with our capital recycling has enabled a substantial reduction in debt and share buyback program to reward our shareholders.
- Targeted program of capital investment including the redevelopment of the main pathology laboratory in Western Australia.
- Development of growth plans for our future, including systematic review of potential growth areas and specific M&A options.
- Strengthening the organisational health of the Group and recruitment including in the digital space.
- Progress towards an enhanced sustainability agenda including announcing carbon neutrality by 2025.

³ \$2.2 million of intercompany revenue/expense has been eliminated at a Group level.

⁴ Day Hospitals now comprises 11 Montserrat hospitals and the Brookvale Day Hospital in Sydney.

“All this would not have been possible without the Herculean efforts of our people through what has been an unprecedented year. I am honoured to be part of this amazing team of people who have continued to selflessly put themselves in harm’s way to deliver their healthcare services.

“Additionally, I want to thank the Federal Government for recognising and supporting the indispensable efforts of private pathology companies in the nation’s response to the pandemic.

“There has been a further surge in COVID-19 testing in July and August with the emergence of the delta strain in this country and our testing has grown to over 40,000 test per working day in July and August on average. At times these levels have stretched our systems to their limit and we are currently investing in more machines to increase our capacity and technology to speed the process.

“What’s more with the revenue we are receiving from COVID testing, we have a real opportunity to invest in the future health of the nation, implementing systems, digital interfaces and a raft of leading-edge applications which should permanently change for the better how consumers access diagnostic healthcare in Australia,” Dr Parmenter concluded.

ENDS

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

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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 three businesses, pathology, imaging and day hospitals. Through its unique footprint of centres and its 11,000 employees, Healius provides specialty diagnostic services to consumers and their referring practitioners, as well as enabling independent healthcare professionals to deliver care in its day hospitals.