

ASX Announcement (ASX: HLS)



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Healius announces a year of delivery, substantial progress on growth agenda, two exciting new initiatives

- Year of delivery with record results, SIP and Digital progress
- Outstanding effort by our people
- Conservatively geared with record cash flow
- Target carbon neutrality by 2026
- Superior position compared to pre-COVID
- Poised to capitalise on multiple growth pathways

	FY 2022 \$M UNDERLYING ¹	GROWTH ON FY 2021 %	FY 2022 \$M REPORTED	GROWTH ON FY 2021 %
Revenue	2,337.7	22.2%	2,336.2	22.9%
EBIT	492.3	84.7%	467.4	83.0%
NPAT (Reported incl. discontinued operations)	309.3	108.4%	307.9	Large
Dividends cps 100% franked			16.0	20.8%

Healius Limited (Healius) (ASX: HLS) today announced a more than doubling of its underlying NPAT¹ for the year ended 30 June 2022 (FY 2022) to \$309.3 million.

FY 2022 was a year of delivery with record results underpinned by the Group's successful scaling of its operations, roll-out of nearly half of its Sustainable Improvement Program (SIP) Phase 2 initiatives (measured as annualised benefits) and substantial progress on its digital program.

Strong financial performance is self-evident in the results, with returns at record levels driven by the efforts of the entire Healius team. While successfully managing a 40%-plus rise in pathology episodes, Healius also demonstrated good cost containment. Of particular note was the Pathology division's ability to flex down its operating costs when demand softened in the second half of the year.

From July 2021 to January 2022, Healius conducted extensive COVID-19 testing. Thereafter screening reduced, with the Omicron variant becoming endemic in the population. Healius also provided critical non-COVID pathology testing, but at lower-than-trend levels with its market share stable. It also continued to deliver its imaging and day hospital services, albeit variously impacted by lockdowns, elective surgery restrictions and cancellations due to COVID-19.

As the underlying healthcare demand drivers remain strong, including an ageing population with greater longevity but more complex health issues, reversion to long-term growth rates is expected to occur as well as a period of catch-up. This, together with an expected baseload level of COVID-19 testing, will deliver growth in services, with Healius well-positioned to capitalise on the demand.

¹ Underlying results for continuing operations exclude the impact of discontinued operations (Adora Fertility with three co-located Day Hospitals), together with non-underlying items relating to corporate transactions and pathology digital transformation.

Trading by division was as follows:

UNDERLYING 30 JUNE 2022 \$M	PATHOLOGY	IMAGING	DAY HOSPITALS	CORPORATE	TOTAL ²
Segment Revenue	1,890.4	393.9	48.7	6.5	2,337.7
EBIT	498.4	19.1	5.3	(30.5)	492.3

Healius generated free cash flow of \$532.2 million in the year. Approximately 45% of this was returned to shareholders in buybacks and dividends. At the end of the year, the Group remained conservatively geared at 1.0x, well below medium term targets of 1.7-2.2x.

Taking into consideration the strong performance of the Company and the level of buybacks in the year, total dividends of 16.0 cents per share fully-franked have been determined, up from 13.25 cents per share in FY 2021, including a final dividend of 6.0 cents per share fully-franked. This represents an annual yield of 4.4% (based on the 30 June 2022 closing share price).

Healius also announced two exciting initiatives today:

- a partnership in precision medicine for timely detection of Alzheimer's, and
- a substantial Imaging contract across the Hunter New England Local Health District.

Commenting on the results, Managing Director and Chief Executive Officer, Dr Malcolm Parmenter said: "I would like to thank our people for their outstanding efforts this year in delivering these record results and in successfully managing our large operating volumes.

"Measurable achievements in the year, over and above the record results, included:

- Digital Program delivery, as we aim to permanently change for the better how consumers access diagnostic healthcare in Australia.
- Margin expansion with nearly half of the SIP Phase 2 initiatives delivered by the end of the year.
- Portfolio optimisation with the Agilix Biolabs and Axis Diagnostics purchases, Adora IVF sale, and, in FY 2023, release of an Information Memorandum on the Day Hospitals division.
- Progress towards enhanced sustainability including Scope 1 and 2 emissions baselined with a 2026 carbon neutral aspiration.

"We have emerged from a period of intense COVID-19 screening with a strong balance sheet, higher free cash flows and good returns to our shareholders. We are also a far better company than we were before COVID-19 due to the actions of the Healius team. We have a simplified portfolio, more competitive networks including a more profitable ACC footprint, broader growth options and far more firepower for delivering this growth. With the potential sale of our Day Hospitals, we are pleased with the level of interest at this stage.

"Our vision is to create sustainable value for our stakeholders by supporting clinical decisions across the Australian healthcare system. Our strategy rests on insights, customer service and growth, underpinned by the increasing importance of screening and diagnosis in reducing downstream healthcare costs, the convergence of pathology and radiology in the treatment of disease, and exciting innovations in testing, especially genomics, specialty pathology, precision medicine and AI. Our capital allocation and SIP and digital initiatives demonstrate our commitment to long-term sustainable growth," Dr Parmenter concluded.

ENDS

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

² \$1.8 million of intercompany revenue/expense has been eliminated at a Group level.

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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 11,000 employees, Healius provides Australia-wide specialty diagnostic services to consumers and their referring practitioners. Healius is currently exploring opportunities to sell its day hospitals business.