

**HEALIUS LIMITED**  
**ANNUAL GENERAL MEETING 2019**  
**25 NOVEMBER 2019**  
**CHAIRMAN'S SPEECH**

**[SLIDE: ROB HUBBARD]**

Good morning ladies and gentlemen.

Welcome to the 2019 Annual General Meeting of Healius Limited, our first AGM under the new name of Healius, which was approved by you, our shareholders, last year.

It is 9.00 am and, as a quorum is present, I declare the meeting open.

My name is Rob Hubbard and I am your Company's Chairman.

**[SLIDE: BOARD OF DIRECTORS]**

Here with me today, from your left to right, are:

- Arlene Tansey, Non-executive Director
- Dr Paul Jones, Non-executive Director
- Dr Malcolm Parmenter, our Managing Director and CEO
- [lectern]
- Charles Tilley, Company Secretary
- Sally Evans, Non-executive Director, and
- Gordon Davis, Non-executive Director

You may notice that Dr Errol Katz is not with us today. After serving nine years as a Non-Executive Director of your company, Errol is not standing for re-election.

I would like to thank Errol for his great contribution and commitment to your Board and to the Risk Management Committee where he served as chairman.

Errol brought a rare combination of clinical, management and entrepreneurial skills to the Board. We will miss his contribution.

However, it is a tribute to Errol that he chose to retire from the Board now, recognising the importance of aligning a Board renewal program with the transformation of the Company.

We will undertake a search for a suitable board member over the coming months. Whilst I anticipate continued board renewal over the next few years, we will always take our time to identify the right candidates.

Dr Paul Jones is the other Non-executive Director who is retiring by rotation. He **is** standing for re-election today and will say a few words before the resolution to re-elect him is put to the meeting.

**[SLIDE: ELT]**

Malcolm will talk about his new executive leadership team.

We have had quite a few changes this year including today's announcement of Scott Beattie taking over as CEO of our Medical Centres.

Importantly, all the appointments have come from within the company, with the exception of one new executive.

I view this as positive since these people understand the business well and have been able to hit the ground running in their new roles.

It is also a reflection of the depth of management talent within Healius which Malcolm and his colleagues have developed over recent times.

In my view the new team is a strong team and one which we should incentivise to deliver on the transformation process.

We have a new long-term incentive framework on the agenda today which is bespoke to Healius.

I flagged this change at last year's AGM and in particular the desire to deliver a scheme which is:

1. Predominantly equity-based in order to increase alignment with shareholders; and
2. Takes into account the 5-year term of our transformation process.

We have been working on the framework throughout the year but needed Malcolm's productivity review and operating model to be settled before finalising this last piece of the puzzle.

I will talk more about the new scheme before the resolution is put to the meeting.

## [SLIDE: A YEAR IN REVIEW]

Turning to what we have been doing over the 2019 financial year, it's been another big year for your Company, one in which we have:

- rebranded the Group as Healius,
- acquired a leading day hospital business in Montserrat,
- progressed the implementation of our strategic initiatives following the capital raise in August last year,
- reviewed and rejected a bid from our major shareholder, Jangho, on the basis of price and conditionality, and
- engaged with all political parties through the election process on what is required to maintain Australia's world class frontline healthcare system.

Late in the year we initiated a broad program to deliver greater efficiencies in our cost base, which Malcolm will talk about shortly.

We also released our first sustainability report where shareholders can see the other foundations we are building as we transform Healius.

## [SLIDE: FINANCIAL RESULTS]

In terms of the financial results, Group revenue was up nearly 6% to \$1.8 billion and underlying Net Profit after Tax was up 6.5% to \$93 million.

All three divisions saw good momentum throughout the year.

- Pathology continues to be our largest division delivering around 60% of Group profit.

After experiencing soft conditions in the first half of the year, this business turned around in the second half and outperformed the market.

For the year, it produced an Earnings Before Interest and Tax, or EBIT, contribution of \$111 million.

- The Medical Centres division includes the results of:
  - the Healius Medical Centres and Dental businesses,
  - Health & Co, and
  - our emerging IVF and Day Hospitals businesses.

The division saw its revenue grow 13% to \$327 million while its EBIT was up 19% to \$38 million.

This result reflected:

- the beginning of a turnaround in Medical Centres,
- a strong contribution from Dental, and
- Health & Co making its maiden profit.

IVF and Day Hospitals contributed to the revenue uplift, with meaningful shares in their respective markets. However both businesses reinvested for growth.

- Imaging saw its third successive year of double digit growth with EBIT up to \$39 million, due to a combination of new and same site growth assisted by productivity initiatives.

## **[SLIDE: STRATEGIC PROJECTS]**

As you are aware, we report an underlying net profit number as this reflects the trading performance of the business.

We have four main initiatives in the company at present which we treat as non-underlying. These are:

- the transformation program in Medical Centres called Leapfrog,
- core technology upgrades in Pathology and Imaging, and
- our corporate infrastructure renewal program.

In an ideal world we would have undertaken these investments sequentially and not together at such a collective magnitude.

However, given this magnitude, we feel it is imperative that we separately identify, budget and manage these projects so that our trading performance is not distorted by them.

The team at Healius aims to close the gap between underlying and statutory performance by the end of the transformation phase.

We expect FY 2020 to be the peak year of adjustments.

Thereafter the imaging technology platform will be completed, while the Leapfrog and corporate infrastructure renewal programs will substantially reduce.

This will leave our Laboratory Information System, or LIS project, in Pathology to be delivered over a five-year timeframe.

The commitment to a reduction in the quantum of adjustments between statutory and underlying profit is reflected in our proposed Long-Term Incentive plan.

The only allowable adjustment from financial year 2022 onwards, when the Long-Term Incentives are tested, will be this LIS project.

## [SLIDE: CASH FLOW AND CAPITAL]

Our growth capital expenditure was high in the year, as we funded our strategic investments including the acquisition of Montserrat Day Hospitals.

Our expansion into Day Hospitals is consistent with global trends of moving certain procedures out of overnight hospitals both to improve patient outcomes and to lower costs.

At the same time it enables us to diversify into more non-Medicare sources of income.

At the end of the financial year, our net debt stood at \$678 million and our banking gearing ratio was 2.4 times.

There has been a significant improvement in our leverage since its peak in 2015 when we had over \$1 billion in debt.

We remain focused on managing our debt levels and strive to balance an optimal gearing ratio with capital needs and dividends.

As a result of continued investment in the business, your Board decided to reduce the final dividend for the year.

We declared a final dividend of 3.4 cents per share which equated to a payout ratio of 60% of reported profit and 40% of underlying profit.

Total dividends for the year were 7.2 cents per share.

Your Board is very conscious of the importance of dividends to shareholders and sees it as a priority to return dividends to a more normal payout ratio.

We expect to be able to do this at the end the current investment phase and as more free cash flow is generated by the business from our strategic initiatives.

**In conclusion** I would like to thank the 13,000-plus team who make up the Healius Group, the patients who use our services each and every day, and of course you, our shareholders, who have continued to support us through our transformation.

I will now hand over to Malcolm.