



# Portfolio simplification through sale of Medical Centres

15 June 2020



# Attractive sale value with long-term leases for pathology and imaging sites

## Transaction details

- Sale Agreement entered into with BGH Capital for an enterprise value of \$500 million
- Sale of 100% of Healius Primary Care (69 large-scale medical centres, 13 Health & Co practices & 62 Dental clinics)
- Long-term leases for pathology collection centres and imaging facilities at rents consistent with current levels
- Cash proceeds of approximately \$470 million after separation and completion costs and earn-outs<sup>1</sup>
- Up to \$75 million may be deferred up to 18 months, payable once the dental business returns to pre-COVID-19 trading levels
- Completion of the sale subject to customary conditions including FIRB approval
- Transaction not subject to financing with BGH Capital having obtained committed debt and equity funding
- HLS due to receive consent from its banking syndicate by end of June
- Completion expected before end of calendar 2020
- Transactional Service Agreement after completion to support transition to stand-alone business with new name
- Healius retains the rights to \$70 million refund and interest on 2003-07 tax case

# Sale provides strategic and financial benefits for Healius' shareholders

|                                  |  |
|----------------------------------|--|
| <b>Value realisation</b>         | <ul style="list-style-type: none"><li>• Enables realisation of the value of Medical Centres division which is not fully reflected in current share price</li><li>• Represents attractive value to Healius (at approximately 13x EBIT<sup>1</sup>)</li></ul>                    |
| <b>Portfolio simplification</b>  | <ul style="list-style-type: none"><li>• Positions Healius as a specialist diagnostic and day hospitals business</li><li>• Delivers a simplified portfolio, reduced operational complexity</li><li>• Right-sizing of corporate cost base to reflect smaller portfolio</li></ul> |
| <b>Strengthens Balance Sheet</b> | <ul style="list-style-type: none"><li>• Strengthens Balance Sheet and provides support for growth initiatives</li><li>• Proforma 31 December gearing ratio reducing from 2.7x to approx.1.5x <sup>2</sup></li></ul>  |
| <b>Enhanced cash flow</b>        | <ul style="list-style-type: none"><li>• Provides enhanced cash flow within the Group and improved ROIC</li><li>• Removes non-underlying items in the Medical Centres division</li></ul>  |

<sup>1</sup> EBIT of \$37.5m for 12 months to December 2019

<sup>2</sup> Assuming full payment for the dental clinics and excluding any contingent liabilities to be retained

# Post-sale, simplified portfolio with leading market positions

## Pathology



- Scale player in mature market (#2)
- 1 in 3 pathology samples tested in Healius laboratories
- Established brands
- Clinical leadership in growth areas including genetics and dermatology
- State-of-the-art, automated Serum Work Area
- Scalable platform where synergies can be delivered

## Imaging



- Scale player in growing market (#3)
- 3m+ radiology examinations p.a.
- Strong position in attractive hospital sector, backed by success in major PPP hospital (Northern Beaches)
- Unique customer segment in Medical Centres, secured by long-term leases
- Single, unified and leading IT platform nearing completion
- Scalable platform where synergies can be delivered

## Day Hospitals

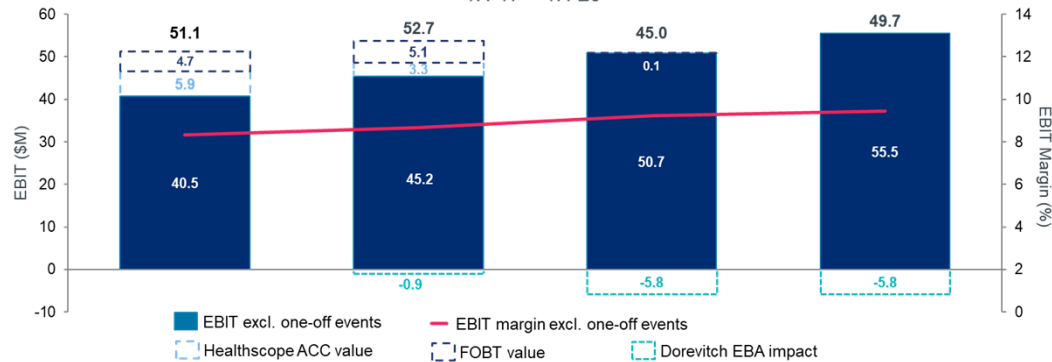


- History of profitable growth in Montserrat
- Major player in fragmented industry
- Proven synergy platform
- Successful funding model including established HPPA<sup>1</sup> agreements
- Market with economic, technological and regulatory tailwinds
- Westside Private - the prototype for day surgery in Australia

# ... and strong financial performance

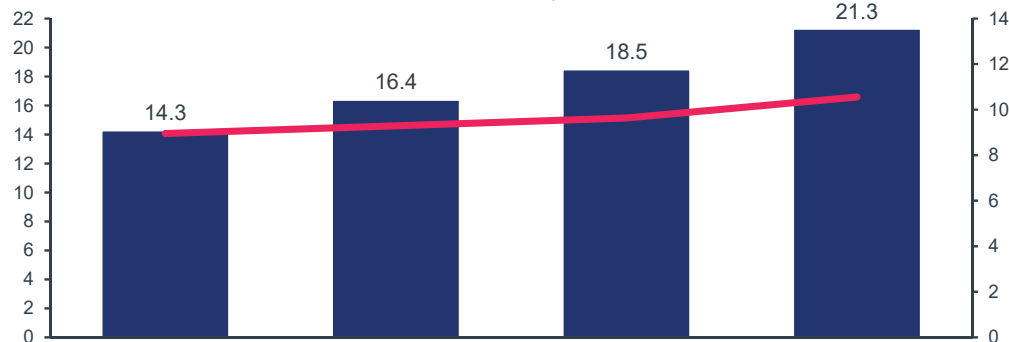
## Pathology

11% EBIT CAGR in past 3 years  
1H 17 – 1H 20



## Imaging

14% EBIT CAGR in past 3 years  
1H 17 – 1H 20



- ✓ Diagnostics contributes over 80% of group EBIT and has demonstrated steady and consistent growth<sup>1</sup>
- ✓ Strong growth trajectory in Day Hospitals after ramp-up of new sites
- ✓ Redesign of group functions and reduction in corporate costs to continue to reflect smaller portfolio
- ✓ Sustainable Improvement Program driving margin expansion (\$20 million in 1H20). Looking to entrench a number of the short-term COVID initiatives and further reset cost base
- ✓ Balance Sheet to support growth in strongest businesses:
  - Major bolt-ons in Diagnostics, where substantial synergies can be delivered on scalable platforms
  - Strategic investments in Day Hospitals in time
  - No longer competing for capital with Medical Centres

# Trading update

- ✓ Rapid deployment of testing capability throughout the country, critical in the fight against the COVID-19 pandemic
- ✓ From mid-April, good growth experienced in Diagnostics in step with the opening up of the broader economy
- ✓ Day Hospitals, Dental and IVF returning towards pre-COVID levels following lifting of relevant clinical restrictions
- ✓ Medical Centres has seen strong revenues throughout COVID-19, underpinned by telehealth services
- ✓ Confident in achieving bank gearing ratio (pre-Medical Centres sale) below 3.0x at 30 June 2020
- ✓ Successfully renegotiated the first tranche of debt facility with extension of \$70 million to \$570 million, due to complete by end of June





# Healius: the future

- ✓ **Portfolio simplification**  
- focus on leading diagnostics business and day hospitals
- ✓ **Higher value and higher growth businesses**  
- platform for improved shareholder returns
- ✓ **Stronger balance sheet**  
- well positioned to execute on value generating initiatives



The logo consists of three vertical bars of equal height. The leftmost bar is dark blue, the middle bar is red, and the rightmost bar is dark blue. The bars are separated by small gaps.

healio