

ASX Announcement (ASX: PRY)

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FY 2017 guidance at \$92 million UNPAT and non-cash impairment of \$575 million

Following a review of its unaudited results for financial year 2017 (“FY 2017”), Primary Health Care Limited (“Primary”) today provides an update to the market:

- Primary confirms guidance for FY 2017 at the lower end of its previous range and broadly in line with consensus, at \$92 million Underlying NPAT^{1,2}.

A decline in Medical Centres underlying EBIT performance is expected to be partially offset by a strong performance in Imaging, a modest increase in Pathology on the back of historically strong results, and savings in finance costs.

- Primary expects to book a non-cash impairment charge of approximately \$575¹ million.

The impairment relates primarily to Medical Centres goodwill and underperforming sites, including the ex-Symbion sites. Importantly, the impairment is a non-cash balance sheet adjustment and has no impact on banking covenants.

Mr Malcolm Ashcroft, Primary’s Acting CEO, commented: “As we announced at the half year, we are undertaking a fundamental repositioning of the Medical Centres Bulk Billing division to deliver a sustainable business model.

“We are continuing to support high quality healthcare services across the Medical Centre network, while introducing more flexibility into our offerings to healthcare practitioners (“HCPs”), with new contracts rolled out 18 months ago. Fundamental to this strategy is the requirement for a higher number of HCPs. Additional investments are being made to grow HCP recruitment, to increase HCP support services, to enhance the Primary brand, and to diversify service offerings away from an historical reliance on the Medicare Benefits Schedule.

“During the year we made substantial progress on this repositioning, with closing GP numbers at record levels and over 150 new GPs signed on, representing an increase of over 35% on the prior

¹ Based on unaudited results.

² Underlying performance reflects Primary’s core trading performance. It excludes the impact of costs associated with business restructuring and transformation, changes in the fair value of investments, impairments and any non-recurring items.

year. Retention rates continued to improve while HCP capital costs reduced significantly generating strong cash flow.

“This progress continues to rebuild our foundation for the future. However the transition is taking longer than expected and has not yet translated into an uplift in Medical Centres’ profit performance with preliminary Underlying EBIT for FY 2017 of approximately \$50 million (FY 2016: \$72 million³). This has necessitated the impairment review of the carrying value of goodwill in Medical Centres.

“We have recently taken action by streamlining both the corporate and divisional head offices to align to the current needs of the business. This will generate approximately \$6 million in pre-tax annualised savings.

“Importantly, the substantial reduction in the capital cost of HCPs and on-going capital expenditure discipline has enabled us to continue to reduce debt and to self-fund our requirements including investing in our growth plans across the business. We are also modernising our IT infrastructure to improve productivity and competitiveness, and considerable work is underway to deliver an enhanced patient experience.

“The fundamental strength of the business has not changed, with a growing and ageing population underpinning demand for frontline healthcare services. We are focused on transitioning Primary to a business that is flexible, diversified and patient-centric. Importantly, we remain confident that the building blocks are in place for the repositioning of our Medical Centres division and that this repositioning will, in itself, deliver significant value creation to Primary,” Mr Ashcroft concluded.

Primary will release its FY 2017 results on Friday, 18 August 2017.

ENDS

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For over 30 years Primary Health Care Limited has been one of Australia’s leading listed healthcare companies with a commitment to supporting quality, affordable and accessible healthcare for all Australians. Through an expansive network of multi-disciplinary medical centres, pathology laboratories and diagnostic imaging centres, Primary provides world class facilities and support services to independent GPs, radiologists and other healthcare practitioners, enabling them to deliver quality care to patients in partnership with Primary’s pathologists, nurses and other employees. Primary’s ‘medical home’ model makes healthcare services easily accessible and cost efficient, while enabling the coordination and continuity of patient care.

³ Comparative information has been restated to ensure that the allocation of expenses to operating segments from corporate is consistent with the current period.