Investor Update

9 December 2020

Trading Update

Trading update

Strong performance with volumes improving

PATHOLOGY

- Continued strong growth in revenues in Oct and Nov driven by a mix of COVID-19 testing volumes and on-going recovery of non-COVID-19 revenues
- Community COVID-19 testing remaining broadly within band of 7,000-10,000 per working day
- Commercial COVID-19 testing continuing to grow
- Non-COVID revenues trending up to be flat year-on-year

IMAGING

- Sustained growth in revenues in all states in Oct and Nov, driven by both volumes and average fee, other than Victoria and SA
- In Victoria, activity returning rapidly with the easing of restrictions and revenue above pcp in Nov
- In SA, COVID-19 related shutdown temporarily impacted revenues in Nov but ahead YTD (albeit a small part of the imaging business)

DAY HOSPITALS

- Revenues for the division materially ahead of pcp in Oct and Nov
- Montserrat delivering good returns with Westside at record levels
- Adora Fertility performing well with record cycles in Nov

Capital Management

Medical Centres sale completed

Sale proceeds of $483m received including full Dental deferred consideration

Medical Centres sale completed

- $483m proceeds representing $500m enterprise value adjusted for future earn-outs to be funded by BGH Capital, movements in working capital and buyer costs
- Dental deferred consideration of $75m has been received in full given strong trading in that business this financial year

Long-term diagnostics sub-leases

- Healius will continue to operate its existing pathology collection centres and imaging facilities located within the medical centres under long-term sub-leases at rents consistent with historic levels
- The majority of sub-lease agreements are for a minimum of 7 years and formalise current service levels through service level agreements
- For most sites, Healius has the right to two or three further 5 year extension options beyond the initial sub-lease period

Group support costs to reduce by >$15m

- On-going services provided to Medical Centres under transitional services agreements include:
  - Accounting and payroll
  - IT services
  - Property services
- Expected exit on most of these services by June 2021
- As announced, Healius plans to reduce Group support costs by $15m by FY22 to offset costs related to support services previously provided to Medical Centres

Strong capital position

Capital management plan to facilitate strategy, optimise shareholder returns and manage uncertainties

Capital management review: Objectives

- Meet capital needs of portfolio and business improvement strategy including margin improvements
- Sufficient headroom for immediate and medium-term growth scenarios
- Eliminate excess or unnecessary debt facilities and hedges
- Optimise cost of funding
- Sustainable dividend policy providing certainty to shareholders and flexibility to the business
- Buffer for future shocks

Key implications

1. On-market share buy-back
2. Revised dividend policy
3. Reduced gearing
4. Reduction in debt facilities
5. Strategic capital investment plan

1

On-market share buy-back

Up to $200m to be returned to shareholders through on-market share buy-back in CY21

On-market share buy-back scheme

- With the large capital envelop and cash generation expectations, we can return funds to our shareholders
- Board has approved an on-market buy-back of up to 10% of the Company's voting shares
- Within the 10/12 limit permitted by the *Corporations Act* 2001
- Return of up to $200m in CY21 dependent on HLS share price and market conditions

2

Dividend payout policy

Revised dividend payout target of 50 - 70% of reported NPAT

Dividend payout policy reset

- Range allows for an optimal balance of investment, gearing, sustainability and returns to shareholders
- Provides certainty within a range for shareholders
- Flexibility for the business based on in-year investment and capex requirements
- Sufficient franking credits to support fully franked dividends under this policy
- Set at 50 – 70% of reported NPAT, aligning with targeted reduction in adjustments between reported and underlying NPAT

3

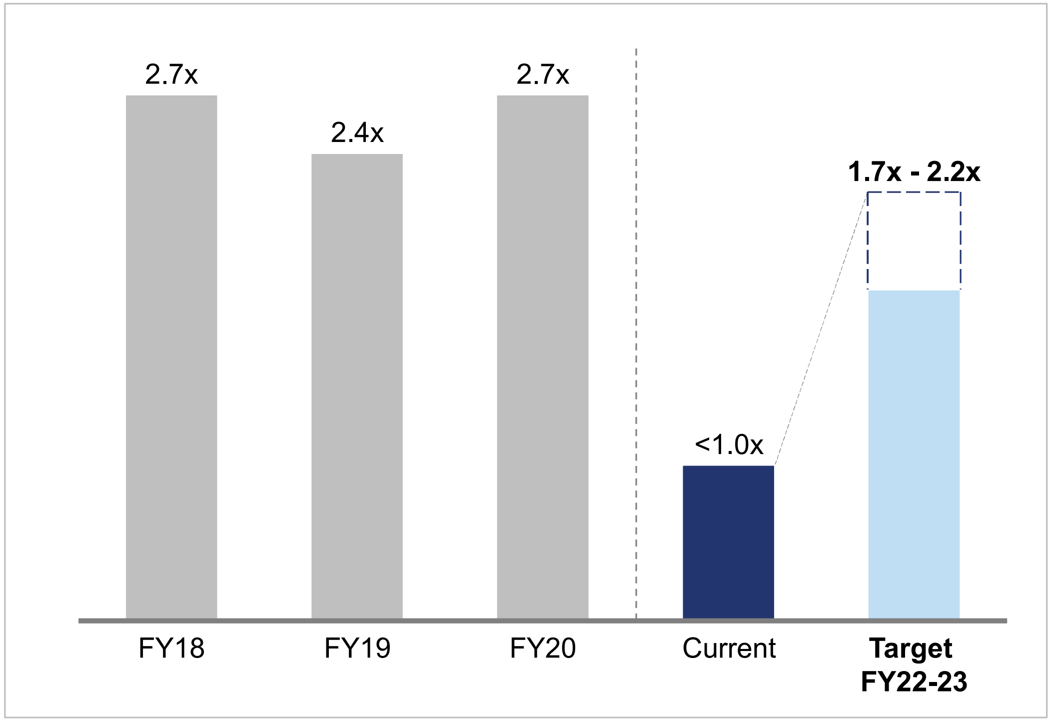
Reduced gearing

Moderate gearing target of 1.7x - 2.2x

Medium-term (FY22-23) gearing target 1.7x – 2.2x

- Optimise overall cost of funding (WACC) utilising cheaper debt
- Meet capital management plan objectives:
  - adequate capital headroom for capex and sustainable dividend payments
  - buffer for downside market scenarios

Gearing expected to be at target by FY22-23



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Reduction in debt facilities

Reduction of debt facilities in line with gearing targets

Reduced debt facilities

- Syndicated debt facilities to be reduced by $295m from $1,095m to $800m
- Consistent with new target gearing of 1.7x to 2.2x
- Will yield annual interest savings of $2.9m
- Leaves sufficient debt headroom for planned business investments and share buy-backs, as well as any significant unplanned market events
- Ineffective interest rate swaps to be closed out with expected ~($6m) impact on continuing operations reported NPAT for FY21

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Strategic capital investment plan

Sufficient capital headroom and strong free cash flow to fund strategic portfolio investments and value creation

Capital Investments

Portfolio development and value creation

Portfolio Dev: Day Hospital

- Larger multi-specialty “Westside Privates” rolling-in smaller sites
- Potential OpCo / PropCo model to increase investment capacity

Portfolio Dev: Diagnostics

- Selective roll-ins
- Bolster domestic positions and scale

Value Creation and Infrastructure

- LIS modernisation to run through to FY24 - expected investment on top of BAU capex
- On-going SIP expected investment to deliver program benefits

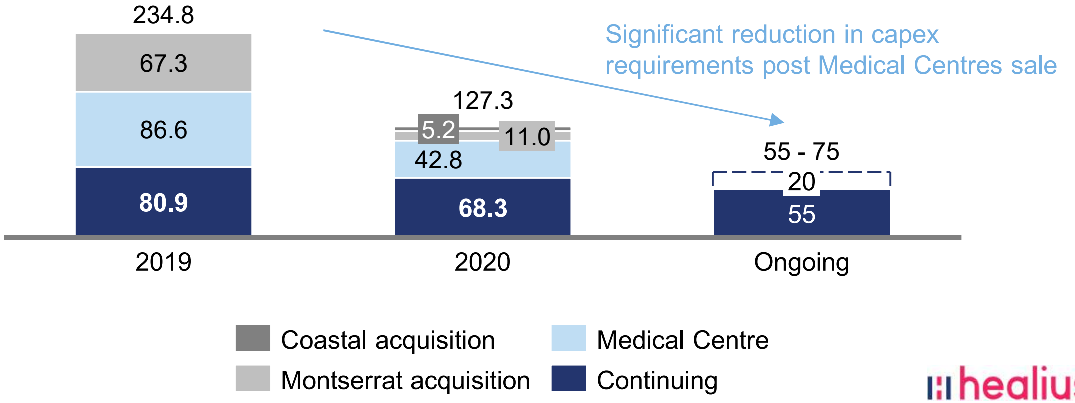
BAU maintenance and growth

Major Items

- Equipment
- New and refurbishment of sites
- Laboratory fit outs
- Courier vehicles
- BAU technology
- BAU projects

Maintenance and growth capex profile

$’m



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Sustainable Improvement Program

SIP and margin management update

$58m in annualised benefits delivered to-date in continuing operations ($44m[1] at 30 June 2020)

Annual Run-Rate SIP Saving[1], $'m

	$'m	Category	Key initiatives
Total	58		
Pathology	29	▪ Labour initiatives $17m ▪ Consumables $5m ▪ Other $7m	▪ Regional lab rationalisation ▪ Support role consolidations ▪ Commercial COVID-19 revenue
Group Services	16	▪ Labour initiatives $11m ▪ Other $5m	▪ Management redundancies and outsourcing ▪ Rationalisation of IT resources ▪ IT security in-sourcing ▪ Telco contract management
Imaging	13	▪ Labour initiatives $10m ▪ Consumables $2m ▪ Other $1m	▪ Voice recognition technology ▪ Shift to zero film ▪ Head office role consolidations

1 Continuing operations only, exclusive of Medical Centres; compared to $37m FY20 in-year savings and $54m in annualised run-rate savings (incl. $10m in discontinued businesses) reported in FY20 Full Year Report

Current and future SIP scope

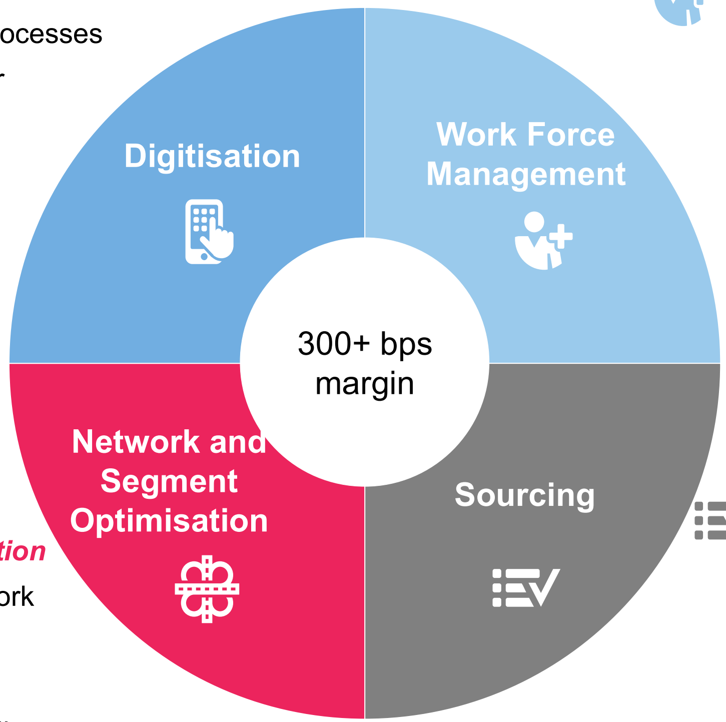
Current initiatives prioritised through 4 themes to deliver over 300bps in EBIT margin improvement by FY23

Digitisation

- Standardise and automate processes
- Digital self-service options for customers
- Digital operating models
- Analytics and data-driven optimisation
- System and architecture modernisation

Work Force Management

- Improving performance management and incentives
- Better people capabilities and skills matching
- Rostering, and supply and demand management



Network and Segment Optimisation

- Rationalisation of physical network
- New commercial opportunities
- Branding and value proposition
- Relationship management excellence

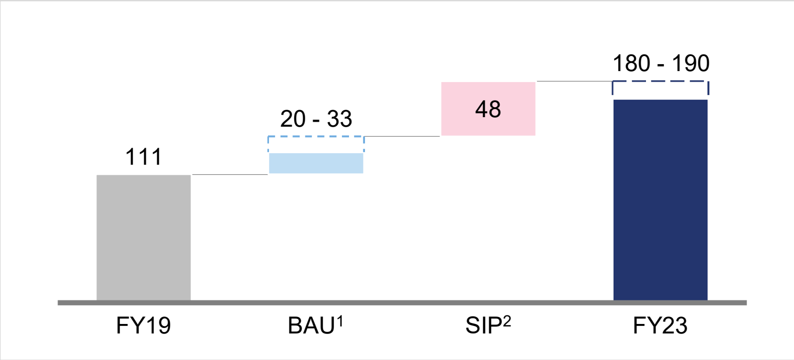
Sourcing

- Re-tendering key spend areas
- Reduction in external spend
- Improved category and demand management
- Supply chain improvements

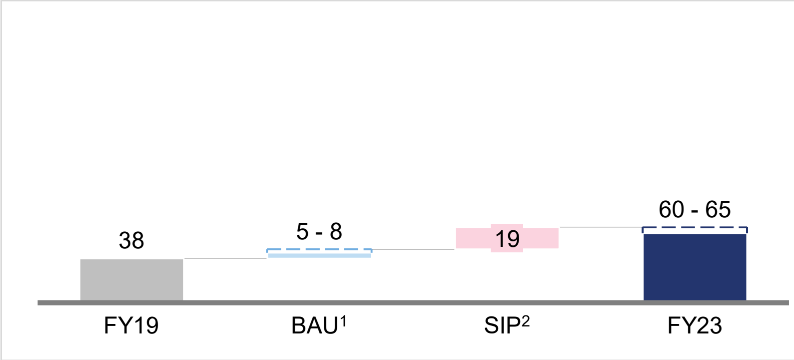
FY23 Planning scenarios[1]

Group-wide SIP expected to deliver incremental ~$80m on earnings by FY23 above BAU

Pathology



Imaging



Key SIP Initiatives

Pathology

Labour management *Labour optimisation across labs, pre-analytics and data entry / support functions*

Network optimisation *National coordination of footprint strategy based on refined site profitability model*

Commercial *Increased penetration of non-traditional pathology revenue streams and non-MBS revenues*

Sourcing, logistics and supply chain *Reduction in per episode external spend, and optimisation of warehousing and logistics operations*

Imaging

Customer digitisation *Digital optimisation and developing an integrated digital experience for the end-to-end referrer and patient journey*

Work force management *Improvement in work force skills and efficiency through staff performance and competency management, and improved incentives programs*

Rostering *Better matching of supply and demand through new rostering tools, algorithms and clinic opening hours*

Specialist market *Improving specialist value proposition and engagement to deliver a more representative specialist market share*

Expected program upfront implementation costs are ~$12m p.a. costs (opex and capex) from FY21 – FY23

1 *Scenario assumptions: Low range: 3% Path and 2% DI p.a. revenue growth; High range: 5% Path and 4% DI p.a. revenue growth; 14% Path and 10% DI EBIT margin on incremental revenue;* Exclusive of inorganic growth; *pre-AASB16*

2 *Net of on-going operating expenses*

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Laboratory Information System

Laboratory Information System

Our approach to LIS modernisation is based on five key principles

Principle	Description
Modularity in selection and implementation	▪ LIS not to be fully dependent on a single software and vendor; instead benefiting from new API based integration layer to connect to best of breed solutions
Extensible architecture for growth	▪ Using cloud-based and vendor-supported open-source solutions where available and reliable; also ensuring flexibility/expandability to allow for potential future business expansion
Integrated system for an integrated organisation	▪ Ensuring the LIS approach to be used allows for a fully-integrated Pathology organisation, with corresponding benefits (e.g., inter-lab optimisation)
Investments in distinctive capabilities	▪ Staying ahead of the curve by investments in Digital Pathology solutions, latest Genetics applications and other IT enabled innovations
Sustainable solutions and partnerships	▪ Ensuring an efficient and low-risk balance between in-house and vendor-supported capabilities

LIS Program Investment

Total of $85m - $90m will be invested for an annual benefit of $15 - $20m from FY24

LIS cost and benefit profile

- Full LIS modernisation to run through to FY24
- Expected cumulative incremental LIS investment for FY21-FY24 to be approximately $85m - $90m
- Several activities have already commenced (e.g. external integration layer, vendor selected for eOrdering solution)
- Net run rate benefit of LIS investment expected between $15-20m EBIT p.a. (FY24) through:
  - Direct and indirect benefits of an integrated SDS, including interlab optimisation
  - Productivity improvements as well as commercial opportunities in certain areas (e.g. genetics)
  - Labour efficiencies due to reduced need for maintenance of legacy systems
- IT operating model to adjust based on new LIS set up

Release of this Investor Update to the ASX has been authorised by the Board of Healius Limited