

## ASX Announcement (ASX: HLS)

ASX Limited  
Market Announcements Office  
Exchange Centre  
Level 4, 20 Bridge Street  
Sydney NSW 2000



ACN 064 530 516  
REGISTERED OFFICE:  
LEVEL 22  
161 Castlereagh Street  
SYDNEY NSW 2000  
TEL: +61 2 9432 9400  
FAX: +61 2 9432 9447

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### Healius announces FY24 results - underlying EBITDA and EBIT in line with guidance

- Group BAU revenue up 6.1% to \$1.74 billion
- Underlying EBITDA of \$346.6 million
- Underlying EBIT of \$65.4 million
- Pathology BAU revenue up 4.7% to \$1.27 billion (includes Agilex)
- Lumus Imaging gross revenue of \$519.0 million up 5.7% or 12.2% (*excluding Medical Centres, BUPA and the Northern Public Hospital contract*)
- Agilex revenue up 20.8% to \$39.5 million and EBITDA up 102.3% to \$8.9 million
- Net debt at 30 June 2024 of \$360.7 million

	2024 \$M	2023 \$M	2024 \$M	2023 \$M
	UNDERLYING		REPORTED	
BAU revenue	1,743.7	1,643.5	1,743.7	1,643.5
Covid revenue	2.5	63.5	2.5	63.5
Total Revenue	1,746.2	1,707.0	1,746.2	1,706.9
Non-underlying items	-	-	(41.6)	(44.2)
Impairment charges	-	-	(603.2)	(388.9)
EBITDA	346.6	376.2	(298.1)	(57.8)
EBIT	65.4	99.0	(579.3)	(335.0)
NPAT (Reported including discontinued operations)	-	-	(645.8)	(367.8)

Healius Limited (Healius) today released results for the financial year ended 30 June 2024, with BAU revenue growth of 6.1%, underlying EBITDA of \$346.6 million, and underlying EBIT of \$65.4 million - at the top end of the guidance range.

Covid revenues reduced in FY 2024 by \$61.0 million, equating to an EBIT reduction of \$30.4 million compared to FY23.

#### Pathology (including Agilex)

Pathology segment BAU revenues improved in the second half of the financial year resulting in growth of 4.7% in FY 2024 to \$1.27 billion. Excluding Agilex, Pathology BAU revenue growth was 4.2%.

EBIT was \$38.4 million in FY 2024, comprising \$6.1 million in 1H 2024 and \$32.3 million in 2H 2024.

The EBIT margin was 5.0% for 2H 2024 and 3.0% for FY 2024. Excluding Agilex, Pathology EBIT margin for 2H 2024 was 4.7%.

Pathology episode volumes grew at 4.0% for FY 2024 with a stronger last quarter.

While growth in pathology volumes is reverting to historical trends, factors such as a lack of indexation, ACC rents, general inflationary pressures, and average fees remain issues for the business.

Healius continues to have a greater exposure to the GP market, where attendances reduced by 1.5% for the twelve months. There is a focus on developing the specialist referrer segment, in which attendances grew 2.7% for the financial year and which generates significantly higher margins. This work is paid in full for all tests, unlike a portion of GP testing which is undertaken for free due to outdated coning rules.

Inflationary pressures remain a constant threat with labour costs approximately 47% of the pathology cost base. Progress is being made on cost efficiencies enabled by technology and ways of working, and this will continue as we implement our transformation plan for FY 2025 as set out below.

### **Pathology - Indexation**

The patient rebate for pathology tests has not increased since 1999, requiring Healius and other pathology providers to continue to fill the funding gap between the diminishing value of the rebate (in real terms) and the increasing cost of providing pathology services.

Healius repeatedly called on the Federal Government to urgently address this funding gap in the 2024-25 Federal Budget, but the Government responded by indexing just one-third of pathology items, and only from July 2025. While this is recognition that pathology items need to be indexed, it is not enough. Government rebates for tests that diagnose diabetes and many common tests, like blood cholesterol, will not be indexed at all. This inadequate response does not address the concerns raised by Healius and the broader sector.

The sector-based campaign to Keep Pathology Bulk Billed has recently re-started and will continue until all pathology tests are indexed.

### **Imaging**

Lumus Imaging's gross revenue grew 5.7% to \$519.0 million, and EBIT grew by 10.8% to \$41.9 million.

Gross revenue growth was 12.2% in the Community and Hospitals segments which comprise over 81% of gross revenue (excluding Medical Centres, BUPA and the Northern Public Hospital contract). Average fees increased by 4.7% and volumes by 7.3% as a result of continued investment in high value modalities, out-of-pocket charges, and Medicare indexation.

The EBIT margin for FY2024 was 8.1% and 9.1% for 2H 2024.<sup>1</sup>

Investments and strategic initiatives have driven above market growth across the financial year. The focus on large scale comprehensive clinics with an expanding base of radiologists is underpinning the growth.

During 2H 2024 Lumus Imaging successfully opened 4 new clinics including the Northern Private Hospital, La Trobe Private Hospital, Jimboomba and Narangba, as well as securing a new hospital reporting only contract, all of which will contribute to growth in FY 2025 after the initial ramp up period.

### **Agilex**

Agilex Biolabs has demonstrated strong revenue growth and significant margin expansion across FY 2024 and is well positioned to continue this growth into FY 2025.

Revenue grew by 20.8% to \$39.5 million in FY 2024, EBITDA doubled to \$8.9 million and EBIT more than tripled to \$5.1 million. The EBIT margin has increased from 4.0% in FY 2023 to 12.9% in FY 2024.

New commercial agreements signed during the year and since the year-end, underpin this continued growth path for Agilex Biolabs.

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<sup>1</sup> EBIT margin calculated as a percentage of gross revenue.

## Balance sheet

Healius' gearing ratio (net debt to banking EBITDA) was 4.1 times as at 30 June 2024. This is within the net debt covenant of 4.5 times for the 30 June 2024 and 31 December 2024 testing dates.

Healius expects to remain within banking covenants for FY 2025.

## Transformation Program

Healius has previously set out that it is responding to market conditions in Pathology with a broad program aimed at increasing revenues, improving efficiencies in our collection centres and laboratory operations, and using technology where appropriate to facilitate more effective and efficient ways of working.

Net benefits of \$20.4m were achieved in FY 2024, which is ahead of previous guidance of \$15.0m.

FY 2024 has seen the transformation program gain momentum and mature as part of improving the pathology operations. A new and targeted plan is in place for the current year with a renewed focus on revenue growth, at the same time driving efficiencies across our network through a standardised national operating model with a local focus.

The transformation program forms part of the FY 2025 plan and is a critical enabler of the pathology strategy.

## Pathology Strategy

As part of the recent operating and strategic review, the strategy for the pathology business has been redefined with a focus on doing the basics well and repositioning operations for both current economic conditions and future growth.

Healius Pathology is a clinically driven diagnostics business with an extensive footprint of 93 Laboratories and 1,981 Collection Centres, and 185 Pathologists advised by our Clinical Advisory Council.

The strategy for the business focuses on providing better services for patients and referrers to increase the volume and quality of the revenue we generate, and to become more efficient in the way we process our tests. Better outcomes are enabled by our investment in modern digital technologies and new ways of working which are designed for the future.

There are five clear priorities in the strategic realignment:

### *1. Customer service - patients & referrers*

Consistently providing high-quality service across all touch points with patients and doctors. We will do this through improved technology, training and recruitment in our collection and call centres, and visibly enhancing the service we provide to our patients and referrers through better reporting and turnaround times.

### *2. Laboratory modernisation*

We operate a complex network of laboratories across Australia. Simplifying and automating the workflows in our laboratories, standardising processes and enhancing productivity through technology and AI where appropriate is the principal objective.

The laboratory modernisation work is well underway – the critical objective is to reduce the administrative burden with cost efficiencies as a natural by-product. Automating and digitising the more manual disciplines and workflows is our priority.

### *3. Digital technologies*

There are three components of our digital framework:

- Customer facing solutions to improve services for patients and doctors through Medway;
- Clinical systems that underpin core workflow in laboratories; and
- A modern data platform that provides a secure infrastructure.

Our digital capability is maturing with a suite of digital products now becoming core enablers in improving our customer service, modernising our laboratories, and pursuing emerging diagnostic opportunities in growth areas of the future such as Genomic Diagnostics.

### *4. People & ways of working*

A new operating model is in place to manage Healius Pathology. This is a national model with a local focus designed to create a standardised and uniform way of working across the organisation.

Three key functions have been established to reduce the complexity in our business across States, and ultimately result in a leaner structure that does not impact the quality of our service.

- Customer & Commercial – focused on improving services for patients and referring doctors across touchpoints including collection and call centres.
- Laboratory Operations – efficiently operating the network with standardisation and uniformity. Digital automation, and AI where appropriate will be the significant drivers of step change in efficiency.
- Clinical Integration – our Pathologists and Scientists are at the core of everything we do. Advised by our Clinical Advisory Council, all clinical decisions are co-ordinated across the organisation with the Council playing an active role in the strategic direction and commercial decision-making process.

### *5. Emerging diagnostics*

A priority for the business is to capitalise on new and emerging opportunities.

Diversifying revenue away from MBS and adding higher margin products to our portfolio is key. This strategic pillar includes:

- Genomic Diagnostics
- Preventative Screening
- B2C and B2B offerings

Healius Pathology now has a well-defined strategy focused on patients and referrers. It is enabled by technology, new ways of working within our business and has been well communicated and understood by the organisation as a crucial part of our business plan.

### **Exploration of Lumus Imaging sale process**

As set out in the announcement of 27 May 2024, Healius has completed the comprehensive review of its structure and assets. As a result of the review, Healius commenced a formal process to explore the sale of its diagnostic imaging division, Lumus Imaging.

The process is well advanced, and the company is pleased with the number of interested parties undertaking detailed due diligence. Healius will announce the outcome of this process at the appropriate time.

## **Dividend**

The Healius Board has resolved not to pay a final dividend for FY 2024.

## **Outlook**

Volume growth in pathology has continued during July and August, improving by over 4% on pcp. Imaging has continued to grow revenue by approximately 12% year on year, and Agilex has also had a strong start to FY 2025 with growth that is expected to continue throughout the year.

Healius management will continue to focus on growth initiatives and efficiency opportunities, through new ways of working, increased automation, digitisation and the use of AI and other technology enablers.

Healius expects its gearing to remain within bank covenants during FY 2025 and is intent on resuming dividends as soon as practicable.

## **Webcast**

Healius will hold an analyst and investor briefing today to discuss the results. Webcast details are as follows:

Time: 10:30am (AEDT)

Webcast Link: <https://webcast.openbriefing.com/hls-fyr-2024/>

If you would like to dial in via teleconference or ask a question on the phone, please pre-register using this link: <https://s1.c-conf.com/diamondpass/10040145-gju7y6.html>

This announcement has been authorised for release by the Board.

## **ENDS**

For further information contact:

### **Analysts and Market**

Sharon Ng  
Head of FP&A and Investor Relations  
Mobile: +61 466 023 858

*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 10,500 employees, Healius provides Australia-wide specialty diagnostic services to consumers and their referring practitioners.*