



Northern Beaches Hospital Investor Day

28 November 2017

Gordon Ballantyne
Managing Director & CEO

An architectural rendering of the Northern Beaches Hospital. The building is a modern, multi-story structure with a facade of large, rectangular panels in shades of blue and white, framed by dark brown or black borders. The building is set against a clear blue sky. In the foreground, there is a landscaped area with green grass, trees, and a paved walkway. Several people are shown walking and sitting on a low wooden bench. A red car is parked near the entrance. The text "NORTHERN BEACHES HOSPITAL" is visible on the building's facade.

NORTHERN BEACHES HOSPITAL

2017 Investor Day Overview

10.05am	Welcome and update on “Must Wins”	Gordon Ballantyne, Managing Director & CEO
10.20am	Northern Beaches Hospital update	Deborah Latta, CEO Northern Beaches Hospital
10.45am	Northern Beaches Hospital – A hospital to be proud of	Dr Stuart Pincott, Chair Interim Medical Advisory Committee
11.00am	Q&A session (Northern Beaches Hospital)	Gordon Ballantyne, Managing Director & CEO Michael Sammells, Chief Financial Officer Deborah Latta, CEO Northern Beaches Hospital
11.20am	Northern Beaches Hospital tour	Deborah Latta, CEO Northern Beaches Hospital
1.00pm	Lunch break	
1.35pm	Quality and safety priorities	Cathy Jones, National Manager Quality & Compliance
1.55pm	Driving greater operational efficiency	Stephen Gameren, Hospitals State Manager – NSW & ACT
2.15pm	Q&A session	Gordon Ballantyne, Managing Director & CEO Michael Sammells, Chief Financial Officer
2.50pm	Conclusion	Gordon Ballantyne, Managing Director & CEO

Key FY18 imperatives

Developing and improving the core whilst delivering on our expansion program

“MUST WINS”

Accelerate profitable topline growth

- Targeted growth initiatives have been implemented at key sites to improve overall admissions growth and revenue per patient day
- Strong contribution from brownfields projects accelerating revenue growth
- Remain confident of delivering above market revenue growth in FY18

Drive greater operational efficiency

- Business improvement program
 - Phase 1 – Detailed benchmarking has been completed across key hospitals. Four target areas of savings identified
 - Phase 2 – Subject Matter Expert reviews across 12 key hospitals in process with the focus on two key cost areas. Implementation of 'best practices' commenced
 - Phase 3 – Review of over 30 hospitals in total to be completed by 31 March 2018

Optimise portfolio

- Review of group hospital portfolio completed
- Outcomes of review will define the investment program for current portfolio for next 5-7 years
- To inform capital management decisions

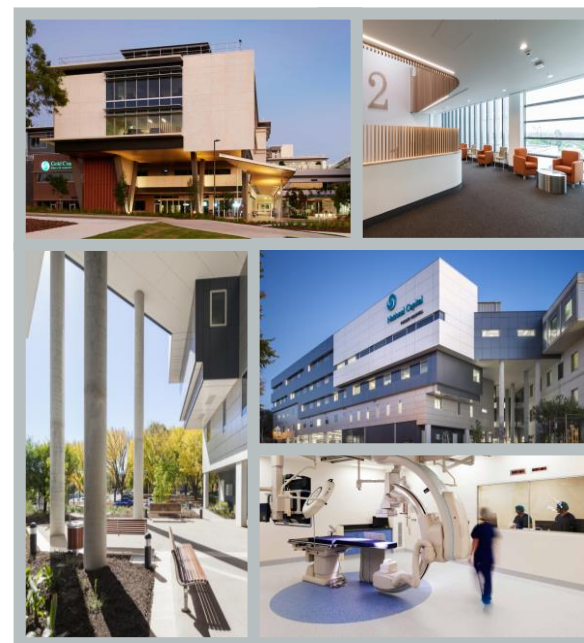
Continue to successfully execute brownfields

- Committed to hospital expansion program which will deliver 632 beds and 38 operating theatres
- Achieving target ROIC of not less than 15% for each project by the end of year 3 of the capacity being open

FY18 Outlook

Hospitals division

- Medium to long term growth for our Hospitals division continues to be supported by strong industry fundamentals
- Ongoing private hospital market volatility and cost pressures are expected to continue in the short term with four “Must Win” imperatives to drive FY18 performance improvement across the portfolio
- FY18 Hospitals division earnings outlook subject to there being no material change to external market conditions and barring unforeseen circumstances:
 - FY18 Operating EBITDA for the Company’s Hospitals division is planned to be broadly similar to FY17
 - 1HFY18 Operating EBITDA expected to decline yoy
 - 2HFY18 Operating EBITDA expected to deliver growth yoy with that momentum to carry forward into FY19 and beyond





Northern Beaches Hospital update

Deborah Latta
CEO Northern Beaches Hospital



Deborah Latta

- Career in health for over 35 years
- Nurse, specialised in intensive care and complex surgery
- 25 years in public sector
- Last public sector appointment – CEO, Royal North Shore & Ryde Health Service
- Established Institute of Medical Education & Training for NSW Health
- Health management consultant working across variety of sectors
- Joined Healthscope in 2008
- General Manager, Prince of Wales Private Hospital (Healthscope)
- CEO of Northern Beaches Hospital

Northern Beaches Hospital

Landmark hospital remains on time and budget

NBH overview

- Healthscope was contracted by NSW Government to design, build, operate and maintain NBH in 2014
- The hospital will be licensed as a single private hospital treating public and private patients
- Healthscope has a 40 year ground lease for the private patient portion of the facility and a 20 year contract to treat public patients
- Services from two existing public hospitals will be transferred to NBH – Manly (will close) and Mona Vale (will continue to provide sub-acute services)
- Catchment area statistics include
 - Population of approximately 250,000 people¹
 - PHI participation rate in excess of 60% – significantly higher than the national average²
 - Approximately 80% of privately insured patients on the Northern Beaches currently have their elective surgery outside the catchment area³
 - Strong doctor presence
- Patient transfers planned for 30-31 October 2018

Manly Public Hospital
(147 beds, 4 OTs)



Mona Vale Public Hospital
(211 beds, 4 OTs)



Northern Beaches Hospital (250 public / 200 private beds, 20 OTs)



1. Source: ABS – includes Manly, Pittwater and Warringah
2. Healthscope management estimate based on PHIAC and ATO data
3. NSW Government, NBH Contract Summary

Facility and services

The hospital will offer:

- 450 licenced overnight beds and 20 operating theatres
- Emergency department with GP clinic on site
- State-of-the-art intensive care and critical care units
- Helipad for emergency transport
- Complex medical and surgical services and day only services
- Ambulatory care services, including dialysis, chemotherapy, outpatients
- Range of services broader and of a higher acuity than existing Manly and Mona Vale public hospitals
- Leading information technology infrastructure and systems that support the patient experience and care and assist staff and doctors
- Linkages to community services as well other Healthscope facilities, such as Lady Davidson (rehabilitation) and Mosman Private (mental health) hospitals

Range of specialties

Only level 5 hospital in the catchment area

- | | | |
|-------------------------------------|----------------------------------|-------------------------------------|
| ▪ Anaesthetics & Pain Management | ▪ Haematology | ▪ Obstetrics |
| ▪ Cardiac, including interventional | ▪ Immunology | ▪ Orthopaedics |
| ▪ Dermatology | ▪ Infectious Diseases | ▪ Paediatrics |
| ▪ Emergency Medicine | ▪ Intensive Care & Critical Care | ▪ Plastics & Reconstructive Surgery |
| ▪ Endocrinology | ▪ Maxillofacial | ▪ Radiation Oncology Consultation |
| ▪ ENT | ▪ Medical Oncology | ▪ Renal Medicine |
| ▪ Gastroenterology | ▪ Mental Health | ▪ Respiratory Medicine |
| ▪ General Medicine | ▪ Minor Burns | ▪ Rheumatology |
| ▪ General Surgery | ▪ Neonatology | ▪ Urology |
| ▪ Geriatric Medicine | ▪ Neurology | ▪ Vascular |
| ▪ Gynaecology | ▪ Neurosurgery | |

Financial overview



Key financials summary

Project financing

- Total capital investment of approximately \$840 million
- Design, construction and delivery capital expenditure of approximately \$640 million
- A further approximately \$200 million of costs for FF&E, commissioning costs, transaction and other costs plus capitalised interest
- State capital payment to be paid following commissioning of the hospital, transfer of public patients from Manly and Mona Vale public hospitals and completion of independent review process

P&L

- Total hospital annual revenue (both public and private services) expected to exceed \$300 million per year once public and private patient volumes have achieved a full ramp up over the first 3-4 years of full operation
- Northern Beaches Hospital EBITDA margin planned to be similar to current hospital portfolio EBITDA margin
- Public patient payments are based on NSW State Public Hospital funding formulas
- Remain confident in underlying business case

State capital payment

Key requirements for the state capital payment

- 1 Technical completion of hospital
- 2 Obtain private hospital licence
- 3 Transfer patients from Manly and Mona Vale public hospitals, at which time the hospital will be open
- 4 Independent review process
- 5 State capital payment received

Operational update



Progress summary

- Construction and commissioning processes are on budget and ahead of program (68 days)
- Construction is planned to be substantially completed by end of CY2017
- Internal fit out is progressing well with the focus now on operational readiness in October 2018
- Senior executive team to run NBH is progressively being assembled
- Core Healthscope team from EOI stage in 2013 remains directly engaged and involved in the delivery of the hospital



Construction update

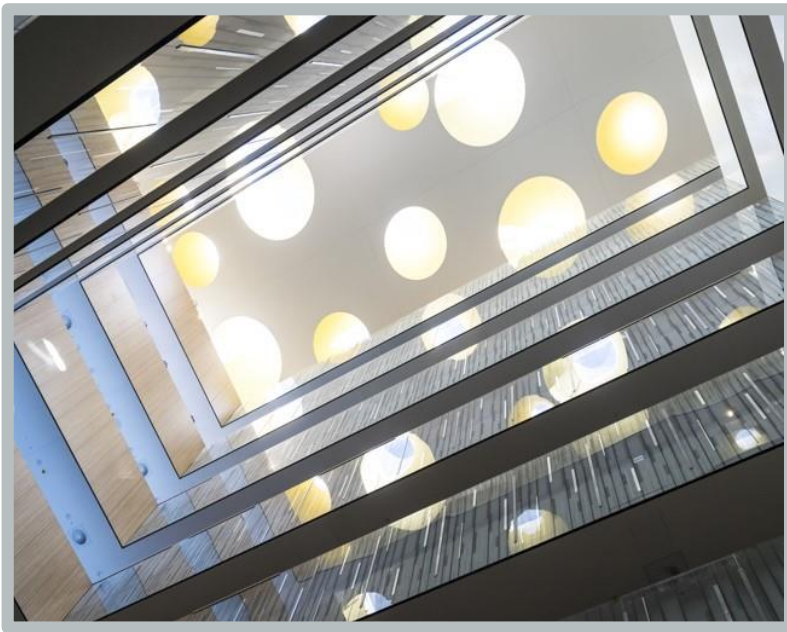
Hospital aerial view



Photo taken in October 2017

Construction update

Atrium and skylights



Construction update

Emergency department and renal dialysis

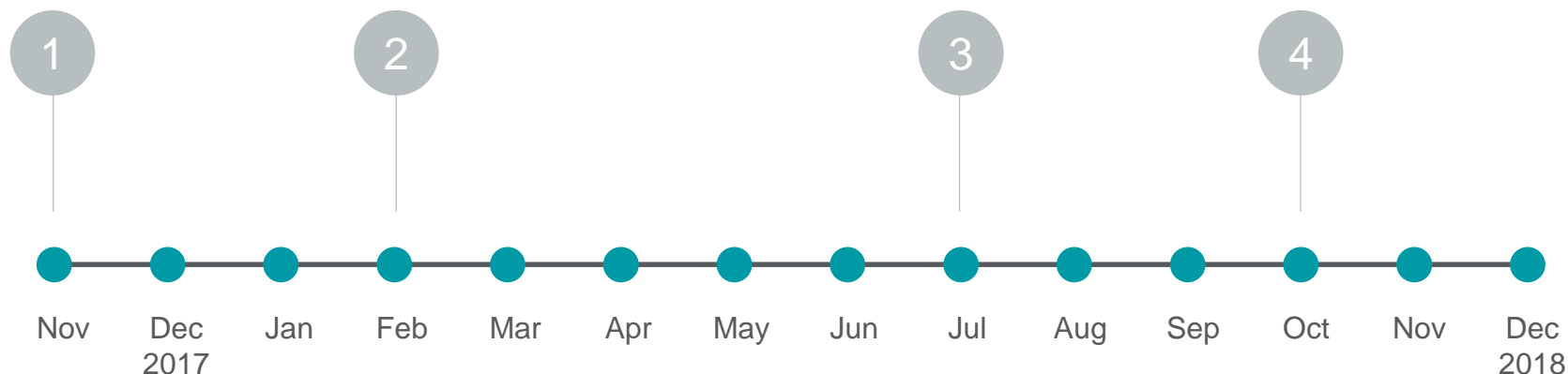


Construction update

Private patient bedroom and ensuite



NBH workforce transition



01

Workforce information centres

The centres re-open (last opened in March 2017), providing eligible Manly and Mona Vale public hospital staff with the opportunity to discuss employment arrangements with representatives from Healthscope and Northern Sydney Local Health District

02

Expression of interest

Manly and Mona Vale public hospital staff will be invited to express interest in positions at Northern Beaches Hospital

03

Staff onboarding

All staff who have accepted an offer of employment from Healthscope will be provided training to help familiarise themselves with the new hospital

04

NBH opens

Manly and Mona Vale public hospital staff who have accepted an offer of employment from Healthscope will migrate to Northern Beaches Hospital

Workforce – doctors

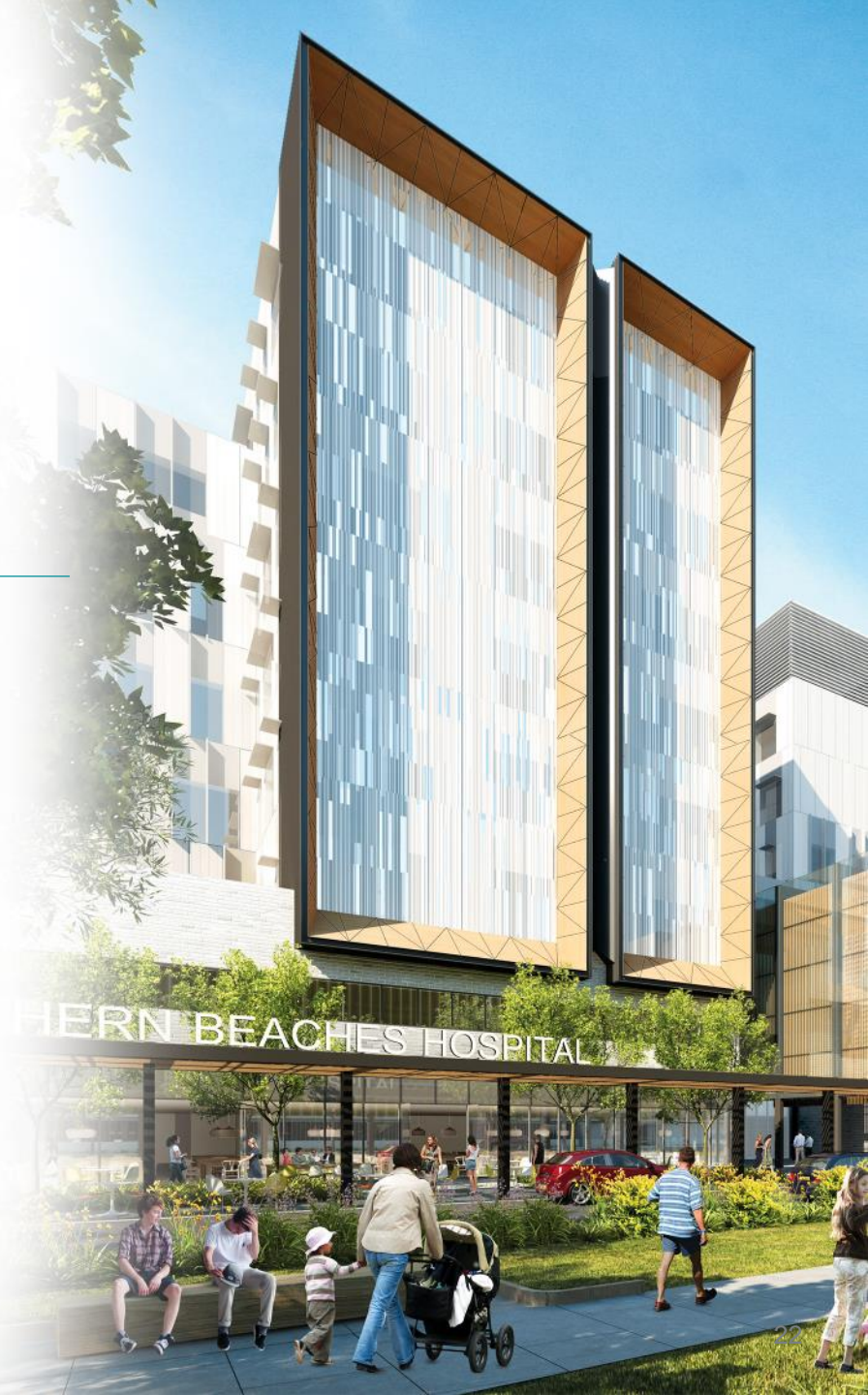
Junior medical officers	VMOs & staff specialists	Specialist consulting suites
<ul style="list-style-type: none">▪ Interns, residents and registrars will be employed by the State▪ The hospital will provide undergraduate and postgraduate teaching, training and education▪ The tertiary research facility will underpin hospital specialty areas	<ul style="list-style-type: none">▪ Healthscope is responsible for attracting and credentialing VMOs (Visiting Medical Officers)▪ Interest from VMOs is strong with accreditation applications exceeding our plans▪ Interim Medical Advisory Committee has been in place since July 2016▪ Dr Stuart Pincott has been appointed as Chair Interim Medical Advisory Committee	<ul style="list-style-type: none">▪ There is extensive floor space of greater than 3,500m2 dedicated to consulting suites with capacity to expand further▪ There has been strong interest in consulting suites

Key achievements

- After over three years of development, the hospital remains on time and budget
- Opening planned for 30 October 2018
- User group design input from doctors, nurses and other experts completed on time
- Support service providers for medical imaging, pathology, pharmacy and facilities management have been appointed
- Majority of procurement for major medical equipment now complete
- Extensive community engagement program resulting in hundreds of meetings with approximately 15,000 people
- Hospital on track to be NSW's first Four Star Green Star hospital
- Strong level of interest from doctors
- Healthscope vocational program established for local schools to create a stronger link between healthcare and education

A hospital to be proud of.....

Dr Stuart Pincott
Chair Interim Medical Advisory Committee



Interim Medical Advisory Committee

- The Medical Advisory Committee has been meeting since July 2016
- Assisting Healthscope to attract doctors
- Doctors from around Australia want to work here
- Doctor input to systems, processes and equipment

What the new hospital provides

- Current facilities at Manly and Mona Vale public hospitals are outdated
- New hospital is a major upgrade for doctors
- State-of-the-art facilities with some of the best and up to date equipment in the world
- An exceptional facility means we can care for more patients than ever before, to a much higher standard
- The hospital provides convenience for doctors:
 - everything in one place
 - large area for specialist consulting suites onsite
 - range of doctor amenities
- What Healthscope does best – clinical quality outcomes and exceptional patient care
- Confident this hospital will become known for attracting the best specialists and delivering excellent healthcare outcomes in Australia



Q&A session (Northern Beaches Hospital)

Gordon Ballantyne
Managing Director & CEO

Michael Sammells
Chief Financial Officer

Deborah Latta
CEO Northern Beaches Hospital





Quality and safety priorities

**Cathy Jones, National Manager
Quality & Compliance**



SOUTHERN BEACHES HOSPITAL

Our priorities

Clinical quality and patient care are constants upon which our business is built

1

QUALITY CLINICAL OUTCOMES

GOAL: To be a market leader in delivery of quality clinical outcomes

MEASURE: Healthscope Hospital Acquired Complication (HAC) rate

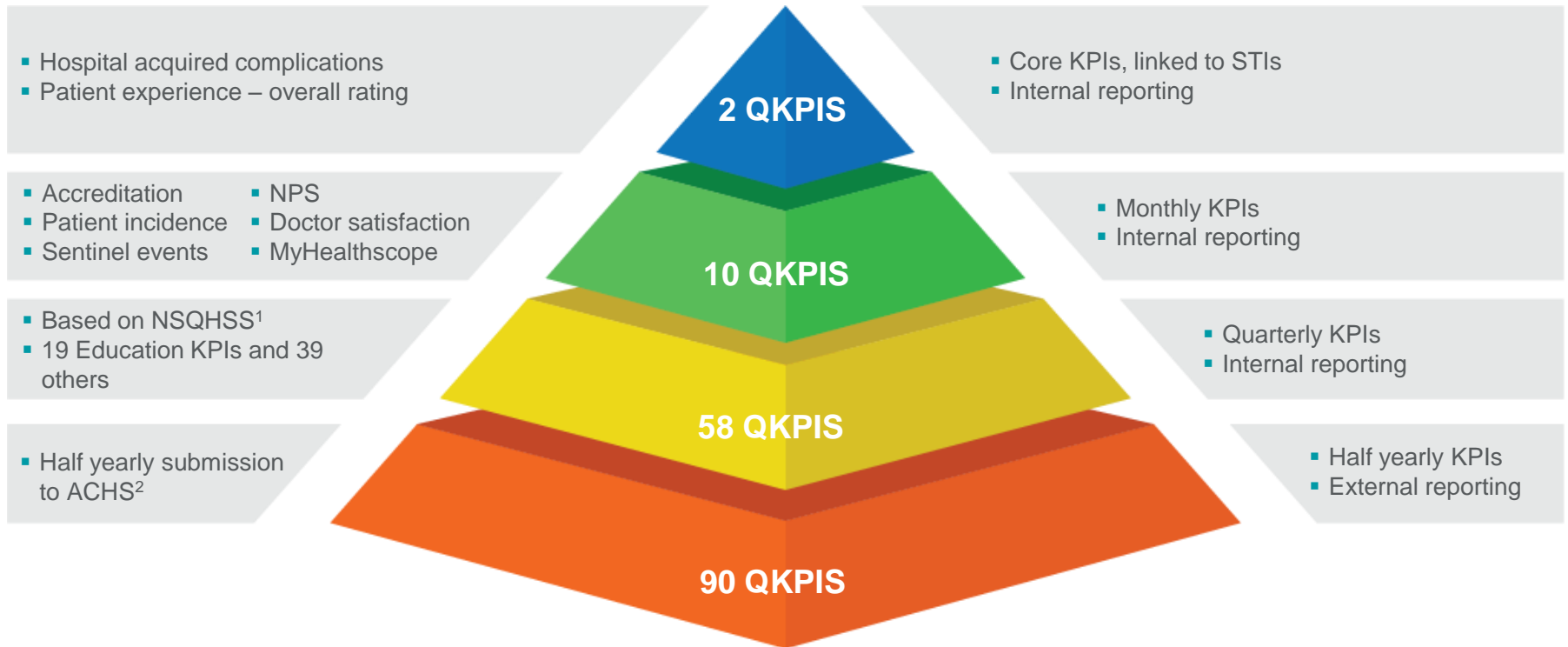
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EXCEPTIONAL PATIENT CARE

GOAL: To provide exceptional patient care and support for our doctors

MEASURE: Patient experience of “overall quality of treatment and care”

Quality indicator reporting



82% of our half yearly clinical indicators were better or equivalent to other hospitals based on ACHS² data

1. National Safety and Quality Health Service Standards
2. Australian Council on Healthcare Standards

Quality clinical outcomes

Value based healthcare

Global industry trends

- Value based healthcare – a style of funding that does not pay for poor quality
- Adoption of new funding models has been gradual but typically includes:
 - Payments based on outcome of care
 - Bonus payments for satisfaction
 - Reduced funding for HAC

Australian experience

- Healthscope was an early adopter of funding models based on quality
- First to introduce and suggest hospitals should not be paid if certain “never events” occur
- Public hospitals are to introduce similar funding system for “never events” and HACs
- Healthscope has introduced HAC as the measure for quality clinical outcomes, strongly positioning the business for any changes to funding models

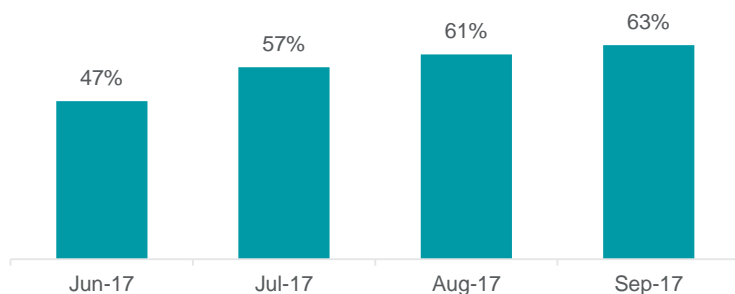
Exceptional patient care

Patient and doctor surveys trending upwards

Patient satisfaction survey

- New dashboard measures quality of care and treatment
- Continuous sampling showing month on month improvements in satisfaction and experience of patients in our hospitals
- New real time measure allows for timely feedback and action on patient care

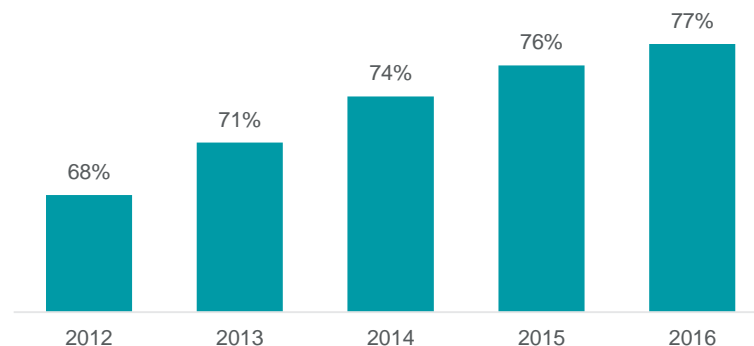
"Very Good" rating for quality of care and treatment



Doctor satisfaction survey

- Overall rating of hospital management has increased by 14% since 2012
- Of the survey questions, 59% showed improvement from 2015 – 2016

Overall management of the hospital¹



1. Doctor rating of "good" or "very good"



Driving greater operational efficiency

Stephen Gameraen
Hospitals Manager NSW & ACT



The Group Hospitals Best Practice Project

- The project has two aims. The first aim is to develop a system that identifies and implements group wide best practice, across the three key areas of clinical quality, revenue opportunities and cost management. The second aim is to embed the principle of best practice within organisation's culture
- Best practice is identified initially by desktop data analytics and benchmarking across the Healthscope Hospital portfolio. Four target areas are the initial focus – theatre and labour workforce, consumables and non clinical
- Subject matter experts including leaders from inside our national hospital portfolio are working with the hospitals to support the adoption of the identified best practices across the group



Phase 1 framework

- Phase 1 includes our 12 largest hospitals by revenue
- Two of the four target areas, theatre and ward workforce, have been analysed and best practices identified
- Implementation across the portfolio is in progress

Focus areas post desktop review

1

Theatre labour hours / Operating minute

2

Labour hour per patient day by ward

3

Consumables

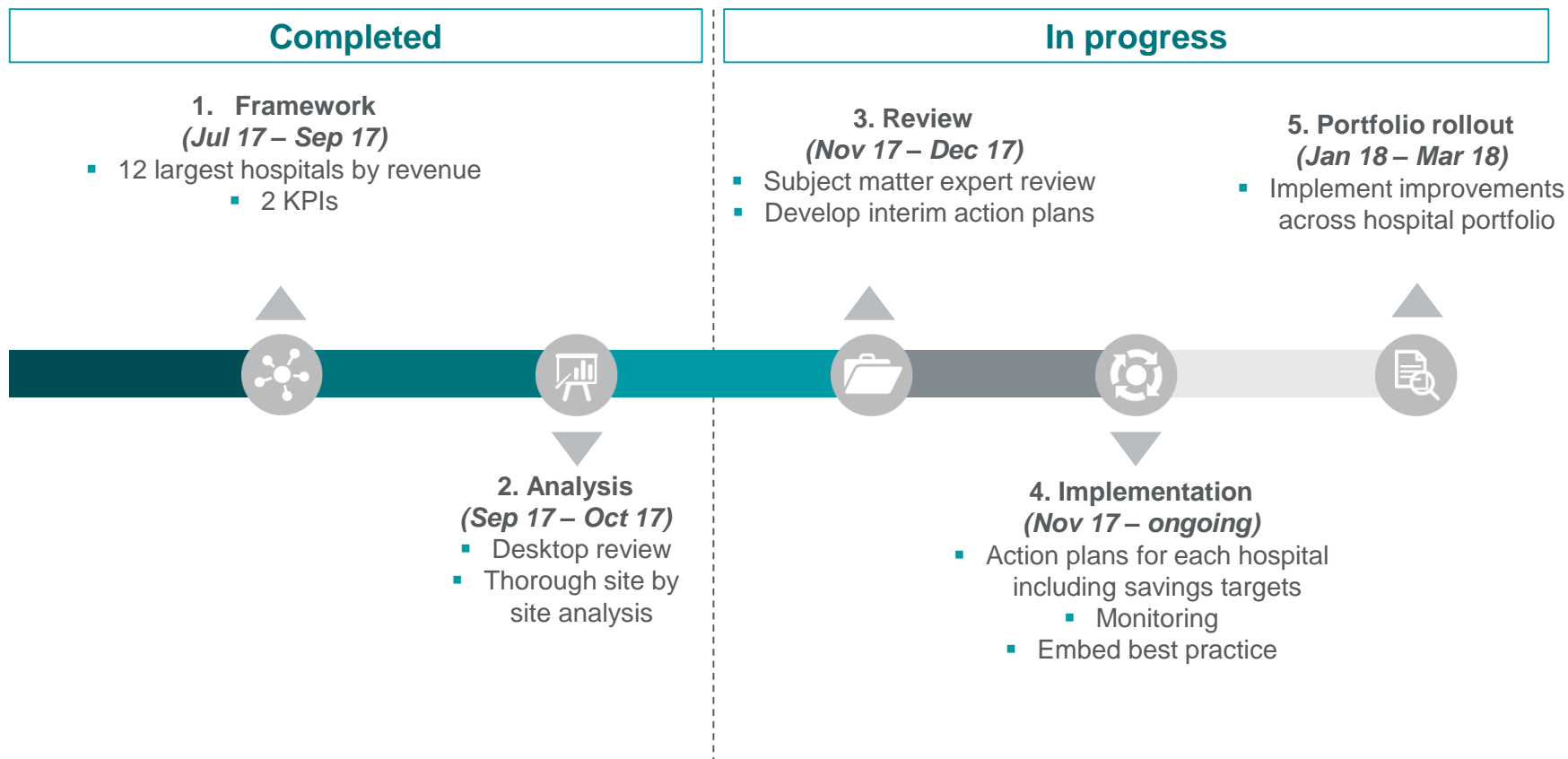
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Non-clinical

Phase 1 findings

- Subject Matter Experts (SME) have undertaken over 60% of the reviews with completion planned by end of December 2017
- Best practice implementation is being optimised site by site to accommodate variations due to:
 - Physical layout of facilities
 - Patient case-mix variations
 - Doctor efficiency and preferences
 - Skills mix of staff
- Staff response has been positive with site specific practices identified for sharing across the group
- Theatres and wards workforce represents around 49% of the cost base for the 12 hospitals. Material savings are planned

Implementing improvement opportunities





Q&A session

Gordon Ballantyne
Managing Director & CEO

Michael Sammells
Chief Financial Officer

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NORTHERN BEACHES HOSPITAL

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