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22 May 2023

The Manager
Market Announcements Office
ASX Limited
20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

Takeover bid by Australian Clinical Labs Limited for Healius Limited – second supplementary bidder's statement

We act for Australian Clinical Labs Limited (ACN 645 711 128) (**ACL**) in relation to its off-market takeover bid under Chapter 6 of the *Corporations Act 2001* (Cth) (**Corporations Act**) for all of the ordinary shares in Healius Limited (ACN 064 530 516) (**Healius**) (**Offer**).

We attach, by way of service pursuant to subsection 647(3)(a)(ii) of the Corporations Act (as inserted by ASIC Class Order [CO 13/528]), ACL's second supplementary bidder's statement in respect of the Offer (**Second Supplementary Bidder's Statement**).

A copy of the Second Supplementary Bidder's Statement has been lodged with the Australian Securities and Investments Commission and sent to Healius today.

Yours faithfully
Gilbert + Tobin

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Partner
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Second Supplementary Bidder's Statement

ACCEPT

the Offer by

Australian Clinical Labs Limited
(ACN 645 711 128)

to acquire all of your ordinary shares in

Healius Limited
(ACN 064 530 516)

Under the Offer, you will receive 0.74 ACL Shares for every 1 of Your Healius Shares

This is an important document and requires your immediate attention. You should read this document in its entirety. If you are in doubt as to how to deal with this document, you should consult your financial, legal or other professional advisers(s).

If you have any questions about the Offer, please contact the Offer Information Line on 1800 882 147 (from within Australia) or +61 1800 882 147 (from outside Australia).

Financial Adviser

Goldman Sachs

Legal Adviser

GILBERT + TOBIN

AUSTRALIAN Clinicalabs

Important notice

This document is a supplementary bidder's statement under section 643 of the *Corporations Act 2001* (Cth). It is the second supplementary bidder's statement (**Second Supplementary Bidder's Statement**) issued by Australian Clinical Labs Limited (ABN 94 645 711 128) (**ACL**) in relation to its off-market takeover bid for all of the fully paid ordinary shares in Healius Limited (ABN 24 064 530 516) (**Healius**) (**Offer**). This Second Supplementary Bidder's Statement supplements, and should be read together with, ACL's replacement bidder's statement dated 14 April 2023 (**Bidder's Statement**) and ACL's first supplementary bidder's statement lodged with ASIC on 14 April 2023, which attached a mark-up of the Bidder's Statement against ACL's original bidder's statement dated 20 March 2023 (**First Supplementary Bidder's Statement**).

Capitalised terms used in this Second Supplementary Bidder's Statement have the meanings given to them in the Bidder's Statement, unless the context otherwise requires. The rules of interpretation in section 12.2 of the Bidder's Statement also apply to this Second Supplementary Bidder's Statement. This Second Supplementary Bidder's Statement prevails to the extent of any inconsistency between this Second Supplementary Bidder's Statement and the Bidder's Statement and/or First Supplementary Bidder's Statement.

This Second Supplementary Bidder's Statement is dated 22 May 2023. A copy of this Second Supplementary Bidder's Statement was lodged with ASIC and given to the ASX on 22 May 2023. Neither ASIC nor the ASX, nor any of their respective officers, takes any responsibility for its contents.

Detailed information about the Offer is set out in the Bidder's Statement, and ACL strongly encourages Healius Shareholders to read this Second Supplementary Bidder's Statement together with the Bidder's Statement carefully and in its entirety before making a decision as to whether to accept the Offer. Healius Shareholders should carefully consider the risks outlined in section 8 of the Bidder's Statement (which sets out certain risks relating to the Proposed Merger, including risks of the Proposed Merger and risks that will arise as a result of the creation of the Merged Group), noting that section 8 of the Bidder's Statement is general in nature only and does not take into account the individual objectives, financial situation, taxation position or particular needs of any person.

Summary of issues with Healius' fundamentally flawed Target's Statement

Healius' Target's Statement is fundamentally flawed. The Proposed Merger represents the most value accretive option available to Healius Shareholders

ACL wishes to address the Target's Statement released by Healius on 4 May 2023 (**Target's Statement**), in which the Healius Board recommended that Healius Shareholders reject the Offer.

ACL believes that the Healius Board is failing its shareholders and is not acting in their best interests by:

- Failing to fully assess the Offer (including the Expected Cost Synergies) either by appointing an independent expert or by providing guidance on its own view as to the value of Healius that is not based on inappropriate historical price comparisons;
- Failing to disclose any alternative value creation opportunities (along with their associated rationale and risks) to consider as true alternatives to the Proposed Merger; and
- Refusing to engage in any substantive or considered way with ACL in respect of the Expected Cost Synergies, despite undertaking extensive work collaboratively with ACL during FY20, when ACL was a materially smaller business, that estimated a synergy opportunity from a merger with ACL of over $80 million to be achieved within three years.

Given the potential value creation opportunities for Healius Shareholders as a result of the Proposed Merger (90% increase in the value of a Healius Share implied by the Offer Consideration[1] to $5.15 per Healius Share[2]), ACL encourages the Healius Board to substantively engage with ACL in relation to the Proposed Merger (including the Expected Cost Synergies).

ACL has offered a meeting with the Healius Board to discuss the rationale for the Offer and the Expected Cost Synergies, but the Healius Board has declined to take up this offer.

ACL continues to believe that the Proposed Merger represents the most value accretive option available to Healius Shareholders, particularly given recent announcements by Healius indicating continued underperformance, including that:

- Healius has required a waiver from its lenders to increase its gearing ratio covenant from 3.5x to 4.0x for FY23 and 1H24, despite stating less than three months ago that it expected to remain within its covenants at the end of FY23;[3]
- Healius is likely to be cash flow negative for 2H23 excluding proceeds of the Day Hospitals Sale;[4] and
- Healius intends to continue its ongoing practice of significant EBIT normalisations[5] in 2H23, which ACL believes will considerably inflate Healius' adjusted "underlying" figures, relative to its statutory performance.[6] Healius has consistently undertaken this practice over multiple years such that it no longer represents a one-off event.

ACL believes that the reasons for the Healius Board's recommendation have fundamental flaws, as summarised below:

- **Control premium:** Existing ACL Shareholders will not control the Merged Group and, accordingly, ACL rejects the Healius Board's claim that a "control premium" is justified. If Successful Offer Completion occurs:

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[1] See sub-section 4 of the "*Why You Should Accept the Offer*" section of the Bidder's Statement.

[2] Being $2.72 per Healius Share, based on the VWAP of ACL Shares on the ASX for the period from (and including) 28 February 2023 (being the date after which Healius released the Healius 1H23 Report to the ASX) to 17 March 2023 (being the last practicable trading date on the ASX before the Announcement Date) (being $3.66).

[3] See the announcement made by Healius to the ASX on 27 February 2023 titled "*Healius announces 1H 2023 results*".

[4] On the basis of the implied projected total net debt (excluding proceeds of the Day Hospitals Sale) of the Healius Group of $564 million as at 30 June 2023 (**Implied Projected Net Debt**) being larger than Healius' reported total net debt of $551.3 million as at 31 December 2022 (as set out on page 6 of the Healius 1H23 Report). The Implied Projected Net Debt of $564 million is calculated on the basis of Healius' statement on page 43 of the Target's Statement that there is a likelihood that Healius' net debt plus current tax liabilities less current tax assets following completion of the Day Hospitals Sale will exceed the amount of $437.3 million specified by ACL in the relevant Conditions (see sections 11.9(g)(v) and 11.9(p)(ii)(B) of the Bidder's Statement) for more than 30 days and on the assumption that this will continue to be the case until and as at 30 June 2023. Excluding cash proceeds of $127 million from the Day Hospitals Sale (as announced by Healius to the ASX on 2 May 2023 in the announcement titled "*Healius Update*") implies Implied Projected Net Debt of $564 million.

[5] See sub-sections 3 and 5 of the "*Why You Should Accept the Offer*" section of the Bidder's Statement.

[6] On the basis of Healius' statements in the Target's Statement to the effect that Healius does not expect FY23 underlying EBIT to differ materially from analyst consensus of $98.6 million, and that Healius expects that reported EBIT from continuing operations for FY23 will be less than the amount of $46.1 million specified by ACL in the relevant Conditions.

- The composition of the Merged Group's board will be decided by the Merged Group shareholders, of which Existing Healius Shareholders will comprise 68%.[7] Healius' claim that ACL intends to exert control over the Merged Group's board is inaccurate and misleading
- Existing ACL Shareholders will hold a minority position in the Merged Group. Typically, shareholders holding a minority position (not those holding a majority) receive a premium
- Healius Shareholders that accept the Offer will not give up the opportunity to receive a control premium in the future in respect of the Merged Group[8]

- **Synergies:** Healius has failed to engage in any substantive or considered way with the Expected Cost Synergies, despite undertaking work itself collaboratively with ACL in FY20 which estimated a synergy opportunity of over $80 million that could be achieved within three years from a potential merger with ACL
  - ACL has significantly grown as a business (demonstrated by 35%+ revenue growth) since Healius undertook this work, supporting a materially larger synergy opportunity
  - ACL has also undertaken detailed analysis to support the estimated range of Expected Cost Synergies of $78 million to $113 million,[9] with the support of a leading external professional services firm,[10] and believes this quantum may be increased if ACL and Healius were to co-operate to refine synergy estimates
- **Exchange ratio:** Healius' evaluation of the Offer Consideration is based on an inappropriate set of historical value comparisons and disregards the significant deterioration in performance of Healius over the six months before 17 March 2023 (being the Last Practicable Date)
  - Healius' reliance on 3-month, 6-month and 12-month VWAPs does not fairly reflect the current relative values of Healius and ACL. Broker consensus views on Healius' FY23 EBIT were downgraded 58% (in aggregate) following successive market updates on Healius' deteriorating trading conditions in the six months prior to the Last Practicable Date. The Post-Results VWAP Period is the first time in over two years[11] that the market has had clear reporting on the core, non-COVID pathology margins of Healius and ACL.[12] This was reflected in the share price movements of both companies following the release of their respective 1H23 financial results[13]
  - The Offer equates to an FY23F EV/EBIT valuation multiple of 31.4x for Healius, which ACL considers is highly attractive for Healius Shareholders and ensures Healius Shareholders receive significant value for the upside from the Healius Group Cost Reset[14]
- **Independent expert:** The Healius Board has not appointed an independent expert to assist its assessment of whether the Offer is in the best interests of Healius Shareholders, which ACL considers is unusual for a transaction of this nature and size. ACL strongly encourages Healius to appoint an independent expert to properly assess whether the Offer is in the best interests of Healius Shareholders
- **Superior proposal:** No superior proposal has been disclosed by Healius, and in any event, Healius Shareholders that accept the Offer will not give up the opportunity to receive a control premium[15] in the future in relation to the Merged Group

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[7] The assumptions that ACL has made in calculating these indicative Merged Group ownership percentages are set out in section 7.5 of the Bidder's Statement.

[8] As part of a control transaction in relation to the Merged Group.

[9] Midpoint of $95 million. The Expected Cost Synergies were estimated via detailed analysis by ACL (based on publicly available information in respect of Healius) and based on ACL's historic synergies on past acquisitions. See section 7.4 of the Bidder's Statement for detailed information on the Expected Cost Synergies, including the basis for, and underlying assumptions supporting, the Expected Cost Synergies.

[10] The ACL Board has engaged a leading external professional services firm to perform due diligence on ACL's proposed synergy plan and provide a due diligence report to the ACL Board in respect of the range of, timing of implementation of, and estimated one-off costs required to achieve, the Expected Cost Synergies.

[11] As at the date of the Bidder's Statement.

[12] See "*What will you receive if you accept the Offer?*" in the section of the Bidder's Statement entitled "*Overview of the Offer*" for more information.

[13] Based on ACL's share price increasing 8.1% from 20 February 2023 (being the date of ACL's 1H23 results announcement to the ASX) to the Last Practicable Date and Healius' share price decreasing (6.7)% from 7 February 2023 (being the date of Healius' unaudited 1H23 results announcement to the ASX) to the Last Practicable Date.

[14] Based on Healius' enterprise value of $3,142 million (post AASB 16) and the FY23 Average Broker Forecast of EBIT for Healius (being $100 million). Refer to Annexure A of the Bidder's Statement for details of the FY23 Average Broker Forecast in respect of Healius, including a summary of the selection criteria, number, range and date of the broker forecasts used to calculate the FY23 Average Broker Forecast. See also sub-section 4 of the "*Why You Should Accept the Offer*" section of the Bidder's Statement.

[15] As part of a control transaction in relation to the Merged Group.

Response to Healius' Target's Statement

ACL sets out its responses to the key reasons for the Healius Board's recommendation in respect of the Offer in more detail below.

1. The Offer and Notion of 'Control'

Target's Statement claim: *ACL is seeking control of Healius but offers no cash and no premium*

Reality of the Proposed Merger:	
✓	**If Successful Offer Completion occurs, Existing Healius Shareholders will collectively hold a majority of the Merged Group. Existing ACL Shareholders will not control Healius or the Merged Group**

If ACL is successful in acquiring all of the Healius Shares on issue under the Offer, Existing Healius Shareholders will collectively hold 68% of the Merged Group, meaning that Healius Shareholders will hold a majority of the ACL Shares on issue (and, therefore, the Merged Group). Existing ACL Shareholders will be in a minority position in, and therefore will not control, the Merged Group.[16] Based on publicly available information available as at the date of the Bidder's Statement, ACL does not expect that an individual shareholder (or shareholder group) will own more than 10% of the Merged Group.[17] In addition, all shareholders of the Merged Group will retain the opportunity to receive a control premium if a control transaction occurs in relation to the Merged Group in the future.

If Successful Offer Completion occurs, the composition of the Merged Group's board will ultimately be decided by the Merged Group's shareholders (of which Existing Healius Shareholders will comprise 68%). In the interim, ACL will consider the appointment of a number of current Healius Directors as ACL Directors and Healius employees as management team members.[18] The focus of the Proposed Merger would be to form the strongest pathology business possible with an emphasis on capabilities and delivery of results for all individuals on the Merged Group board and in the management team.

Reality of the Proposed Merger:	
✓	**ACL believes that the Proposed Merger has the potential to create significant value for Healius Shareholders. Healius fails to acknowledge or consider this in its characterisation of the Offer as inadequate**

The Offer represents a nil-premium,[19] all-scrip merger between ACL and Healius. The key principle of a nil-premium, all-scrip merger is that value is delivered to shareholders of both companies through the ongoing benefits of the combination via an increased share price rather than an upfront "premium for control", as it would in an all-cash transaction where shareholders have no ongoing economic interest.

ACL believes that the Merged Group has the potential to achieve a value uplift of approximately $2.1 billion compared to the combined equity value of each of Healius and ACL on a standalone basis as at the Last Practicable Date,[20] and a 90% uplift in the value of Healius Shares implied by the Offer Consideration (to $5.15 per Healius Share for Healius Shareholders).[21] This materially exceeds the typical premium for successful Australian public M&A transactions with cash consideration. The potential to unlock this significant value for Healius Shareholders is best achieved via a merger with ACL. The distribution of value must also be fair to Existing ACL Shareholders.

[16] The assumptions that ACL has made in calculating these indicative Merged Group ownership percentages are set out in section 7.5 of the Bidder's Statement.

[17] See section 7.7 of the Bidder's Statement for more information, including the assumptions that ACL has made.

[18] See sections 6.3(f) and 6.3(g) of the Bidder's Statement.

[19] See "*What will you receive if you accept the Offer?*" in the section of the Bidder's Statement entitled "*Overview of the Offer*" for more information.

[20] Combined standalone equity value calculated based on the Post-Results Healius VWAP and the Post-Results ACL VWAP.

[21] See sub-section 4 of the "*Why You Should Accept the Offer*" section of the Bidder's Statement.

2. Expected Cost Synergies

Target's Statement claim: *There is material uncertainty that the Offer would deliver the Expected Cost Synergies*

Reality of the Proposed Merger:

✓ **The Expected Cost Synergies are not expected to be materially impacted by any of the uncertainties identified by Healius. ACL believes that Healius has failed to substantively engage with or analyse the Expected Cost Synergies and the potential value they hold for Healius Shareholders**

In its Target's Statement, Healius fails to substantively engage with or analyse the Expected Cost Synergies (or any of the detailed information around the basis for, or assumptions underlying, the Expected Cost Synergies set out in the Bidder's Statement) or the corresponding value opportunity for Healius Shareholders. From late-2019 to mid-2020, ACL and Healius engaged in a period of collaborative discussions regarding a potential merger, as part of which Healius estimated that the potential merger would unlock approximately $82 million in synergies within 3 years. Since this time, ACL has significantly grown as a business (demonstrated by 35%+ revenue growth), supporting a materially larger synergy opportunity. As part of its preparation for the Offer, ACL has undertaken a detailed analysis (based on publicly available information in respect of Healius and ACL's understanding of its own synergy opportunities and success in integrating past acquisitions). Based on that analysis, ACL estimates that the Expected Cost Synergies would be in the range of $78 million to $113 million.[22]

Healius' reasoning for the uncertainty and their perceived complexities surrounding the Expected Cost Synergies focuses on the risks of the Offer completing, rather than the quantum of the Expected Cost Synergies or ACL's approach to realising them.

ACL agrees that, by their nature, the Expected Cost Synergies will be realisable only if the Proposed Merger proceeds. One of the key reasons that ACL believes that the Offer is in the best interests of both Healius Shareholders and ACL Shareholders is that it provides access to the Expected Cost Synergies.

As part of its preparation for making the Offer to Healius Shareholders, ACL comprehensively assessed each of the risks outlined by Healius in its Target's Statement and their implications for the Expected Cost Synergies. ACL's response to Healius' statements about these risks is set out below:

Target's Statement claim	ACL's response
ACCC Clearance Condition *Any requirement for material divestments would have an adverse impact on any available synergies*	• ACL has undertaken an extensive review[23] of the Merged Group's expected portfolio and considers it has good prospects of securing ACCC clearance for the Proposed Merger. ACL has engaged Gilbert + Tobin as legal advisers and RBB Economics as economic experts to provide independent economic expert advice in relation to the ACCC process. • ACL does not expect any material dis-synergies as a result of ACCC clearance. ACL expects there to be additional clarity on ACCC clearance (and, therefore, whether the ACCC Clearance Condition will be satisfied) prior to the Offer closing that will be disclosed to the market.
90% Minimum Acceptance Condition *Healius expects the potential for synergy realisation to be materially reduced where ACL obtains more than 50% but less than 90% control of Healius*	• ACL believes that it has a reasonable basis to expect that it can realise approximately $88 million of the Expected Cost Synergies in circumstances where ACL acquires more than 50% but less than 90% of Healius Shares on issue under the Offer. Section 7.4(c) of the Bidder's Statement contains detailed information on the basis for, and assumptions underlying, ACL's view regarding the realisation of the Expected Cost Synergies in the circumstances described above, as well as the expected timeframe for, and additional one-off costs expected to be incurred in, realising the Expected Cost Synergies in those circumstances.

[22] Refer to section 7.4 of the Bidder's Statement for detailed information on the Expected Cost Synergies, including the basis for, and underlying assumptions supporting, the Expected Cost Synergies.

[23] Based on, in the case of Healius, publicly available information about Healius (which has not been independently verified by ACL).

Hostile structure *ACL's hostile transaction structure does not permit active engagement with the Healius Board or management team*	• On 27 April 2023, ACL wrote to the Healius Board and offered to engage with Healius to discuss the rationale for the Offer and, in particular, the Expected Cost Synergies. To date, Healius has not taken up ACL's offer. ACL encourages the Healius Board to engage with ACL in relation to the Proposed Merger (including the Expected Cost Synergies).
Integration risks and execution challenges *ACL's existing management team has no observable experience in executing a large-scale and complex synergy realisation program as that outlined in the Bidder's Statement*	• ACL's management team has a strong track record of running a national healthcare services business at scale, completing acquisitions, and delivering on promised synergies to ACL Shareholders over the last 8 years.[24] ACL's most recent acquisition, Medlab, was integrated 12 months ahead of schedule and has achieved annualised run-rate EBIT performance (post-acquisition synergies) of more than \$20 million (\$5.5 million ahead of ACL's forecasts due to greater than expected synergy realisation). • In contrast, Healius did not deny in its Target's Statement that the acquisition of Agilex Biolabs has been value destructive to Healius Shareholders to date[25] and that it is still to deliver on its LIS program, more than five years after it was initially announced and despite it being past the timeframe of expected execution.[26] • ACL's management team has consistently delivered superior performance to Healius management (as outlined in the Bidder's Statement).[27] • ACL's CEO, Melinda McGrath was the CEO of Healius' Queensland pathology division (QML Pathology) from 2008 to 2015. The last two CEOs of Healius' pathology business were formerly direct reports of Melinda McGrath at QML Pathology whilst Ms McGrath worked at Healius.

3. Offer Exchange Ratio

Target's Statement claim: *The Offer is opportunistically timed and would transfer value from Healius Shareholders to ACL Shareholders*

Reality of the Offer:

✓ **ACL believes the Offer exchange ratio is fair from a broad range of perspectives. Healius' statement that the Offer exchange ratio is unfair to Healius Shareholders is based on an inappropriate set of historical value comparisons, which ACL believes do not fairly reflect the current relative value of Healius to ACL**

The Offer Consideration is based on the Post-Results Healius VWAP and the Post-Results ACL VWAP.[28] Healius notes that the basis for the Offer Consideration is unfair to Healius Shareholders as it ignores trading periods before 28 February 2023 (i.e. a 3-month, 6-month and 12-month VWAP).

For the reasons set out in the Bidders Statement,[29] ACL believes that value comparisons based on historical Healius Share prices before the release of the Healius 1H23 Report to the ASX are not appropriate. This is because over the six months before the Last Practicable Date, the consensus broker forecast of Healius' FY23 EBIT was consistently downgraded following successive market updates by Healius on its deteriorating trading conditions, including a further downgrade following the release of the Healius 1H23 Report.[30] This is shown in

[24] Refer to sub-section 7 of the "*Why You Should Accept the Offer*" section of the Bidder's Statement.

[25] Refer to sub-section 5 of the "*Why You Should Accept the Offer*" section of the Bidder's Statement.

[26] Refer to sub-section 3 of the "*Why You Should Accept the Offer*" section of the Bidder's Statement.

[27] Refer to sub-section 5 of the "*Why You Should Accept the Offer*" section of the Bidder's Statement.

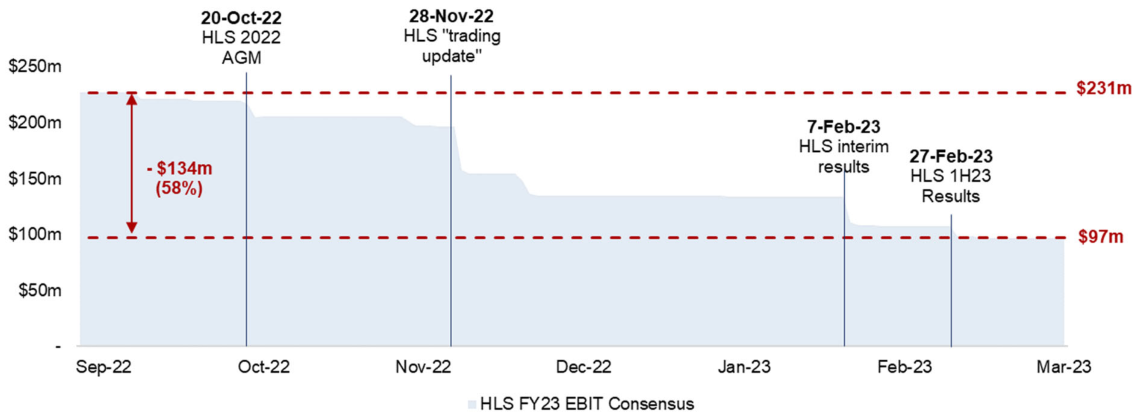
[28] That is, the period from (and including) 28 February 2023 (being the date after which Healius released its 1H23 Report to the ASX) to the Last Practicable Date. See "*What will you receive if you accept the Offer?*" in the section of the Bidder's Statement entitled "*Overview of the Offer*" for more information.

[29] See "*What will you receive if you accept the Offer*?" in the section of the Bidder's Statement entitled "*Overview of the Offer*".

[30] The consensus broker forecast of Healius' FY23 EBIT declined by 58% from \$231 million on 17 September 2022 (with a range of \$191 million to \$306 million) to \$97 million (with a range of \$34 million to \$118 million) on the Last Practicable Date. Between 26 February 2023

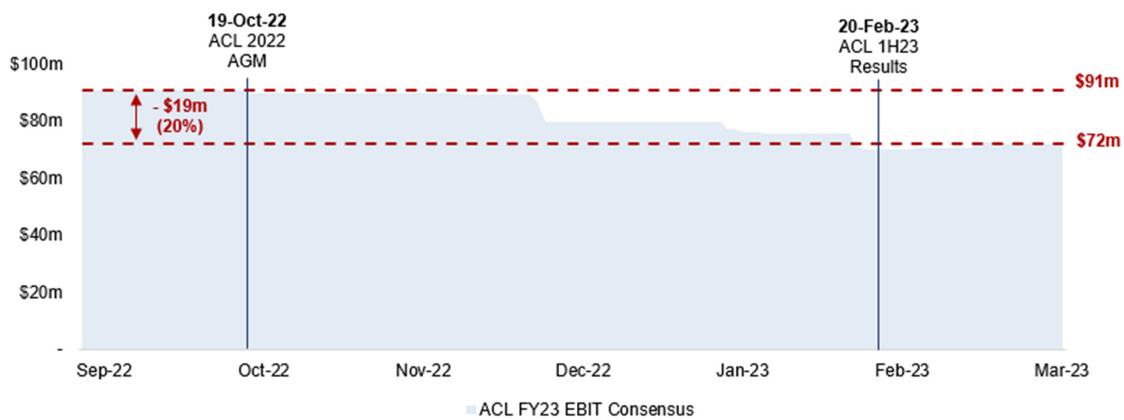
the chart below, which shows that the consensus broker forecast of Healius' FY23 EBIT was downgraded by 58% (from $231 million to $97 million) in aggregate over this period.

Evolution of Consensus FY23 EBIT for Healius



By comparison, over the same period, the consensus broker forecast of ACL's FY23 EBIT was downgraded considerably less – and even upgraded following the release of ACL's 1H23 Report – supporting a shift in the relative value of ACL to Healius.[31] This is shown in the chart below, which shows that the consensus broker forecast of ACL's FY23 EBIT was downgraded by only 20% (from $91 million to $72 million) in aggregate over this period.

Evolution of Consensus FY23 EBIT for ACL



In ACL's view, VWAPs for periods before 28 February 2023 referred to by Healius distort the relative value of the two businesses because they include trading periods where, based on broker consensus, the market misunderstood Healius' underlying performance. The Post-Results VWAP Period is the first time in over two

(being the day prior to the release of the Healius 1H23 Report) and the Last Practicable Date, the consensus broker forecast of Healius' FY23 EBIT declined by 10% from $108 million (with a range of $87 million to $153 million) to $97 million. The consensus broker forecast of Healius' FY23 EBIT as at 17 September 2022, 26 February 2023 and the Last Practicable Date referred to above each represents the average of the forecasts of the brokers that covered Healius (of which there were 14 in total during this period) that had published broker reports for Healius within the 28 days before the relevant time (with none that satisfied this criterion excluded), as calculated by Bloomberg. On 2 May 2023, Healius released an announcement to the ASX in which it confirmed that it does not expect its underlying EBIT in FY23 to differ materially from analyst consensus estimates of Healius' underlying EBIT for FY23 of $98.6 million (as at 30 April 2023).

[31] The consensus broker forecast of ACL's FY23 EBIT declined by 20% from $91 million on 17 September 2022 (with a range of $76 million to $103 million) to $72 million (with a range of $71 million to $73 million) on the Last Practicable Date. Between 24 February 2023 (being the last trading day prior to the release of the ACL 1H23 Report) and the Last Practicable Date, the consensus broker forecast of ACL's FY23 EBIT increased by 3% from $70 million to $72 million. The consensus broker forecast of ACL's FY23 EBIT as at 17 September 2022, 24 February 2023 and the Last Practicable Date referred to above each represent the average of the forecasts of the brokers that covered ACL (of which there were 6 in total during this period) that had published broker reports for ACL within the 28 days before the relevant time (with none that satisfied this criterion excluded), as calculated by Bloomberg.

years[32] that the market has had clear reporting on the core, non-COVID pathology margins of Healius and ACL, without the distortionary impact of COVID-19 testing volumes.

The Target's Statement also contains value comparisons based on trading periods following the Announcement Date. ACL believes that these comparisons are irrelevant and potentially misleading to Healius Shareholders, as they pertain to a period where the Healius and ACL share prices were disturbed (compared to the Last Practicable Date) given the market was trading with knowledge of the Offer. Between the Last Practicable Date (the last trading day prior to the Announcement Date) and 2 May 2023, being the last practicable date relied on by Healius, the Healius Share price increased by 10.4%.

Reality of the Offer:	
✓	**ACL has considered appropriate forward-looking measures of contributed value in its evaluation of the Offer Consideration**

In its Target's Statement, Healius' assessment of the fairness of the Offer Consideration was solely based on the value comparisons using the historical Healius Share prices described above. The Target's Statement provides no other guidance on the Healius Board's view on the value of Healius or a Healius Share. The Target's Statement does not state that, in the Healius Board's assessment of the Offer, the Healius Board considered the results achieved by ACL and Healius in the most recent reporting period or the forward-looking measures discussed below, all of which imply the Offer Consideration reflects a premium for Healius Shareholders. The ACL Board believes that the Offer Consideration represents a fair distribution of value based on the relative contribution of Healius to the Merged Group.

As shown in the chart below, the exchange ratio implied by the Offer Consideration is supported by the relative valuations of Healius and ACL based on Average Broker Target Prices[33] and ACL's fundamental analysis based on expected earnings in FY23 (based on the EBIT guidance for FY23 released by each of Healius and ACL to the ASX on or after the Announcement Date, as described below). ACL believes that these metrics are relevant given that:

- Average Broker Target Prices reflect the views of equity research analysts on where they expect the value of Healius and ACL to trade on a fully distributed basis over the next 12 months and are considered to be an independent assessment of the trading value of each of Healius and ACL on a standalone basis; and
- the EBIT guidance for FY23 released by each of Healius[34] and ACL[35] to the ASX on or after the Announcement Date (as displayed in the chart below) reflects the relative theoretical contribution that each business would make to the Merged Group in FY23.[36]

Relative contribution of Healius and ACL to the Merged Group[37]

		Relevant metric		Standalone value per share			
Reference metrics	Relative contribution to Merged Group (Healius / ACL)	Healius	ACL	Healius	ACL	Implied exchange ratio	Implied premium of ACL Offer to reference metrics
ACL Offer	68 % / 32 %					0.74 x	
Average Broker Target Prices	66 % / 34 %	$2.75	$4.04	$2.75	$4.04	0.68 x	+9%
FY23 EBIT	58 % / 42 %	$99m	$72m	$0.17	$0.35	0.49 x	+52%

■ Healius ■ ACL

32 As at the date of the Bidder's Statement.

33 Refer to Annexure C of the Bidder's Statement for details on the Average Broker Target Prices for ACL and Healius, including a summary of the selection criteria, number, range and date of the broker target prices used to calculate the Average Broker Target Prices.

34 See the announcement made by Healius to the ASX on 2 May 2023 titled "*Healius Update*" and the Target's Statement, in which Healius states that Healius does not expect FY23 underlying EBIT to differ materially from analyst consensus of $98.6 million.

35 See the ACL FY23 EBIT Guidance in section 1.6 of the Bidder's Statement.

36 ACL notes that, given the length of the Offer Period, it is likely that Successful Offer Completion (if it occurs) will not occur in FY23.

37 Healius FY23 EBIT is based on average analyst underlying FY23 EBIT of $98.6 million based on Visible Alpha as at 30 April 2023, as disclosed by Healius in its announcement to the ASX on 2 May 2023. ACL FY23 EBIT is based on the FY23 Average Broker Forecast.

The Average Broker Target Prices in the table above take account of the brokers' assessment of Healius' forecast performance, including the brokers' assessment of the contribution from the Healius Group Cost Reset. The implied exchange ratio of 0.68x therefore also reflects this contribution. The ACL Offer is at a ratio of 0.74x, which is a 9% premium to the 0.68x implied by Average Broker Target Prices.

The Offer equates to an FY23F EV/EBIT valuation multiple of 31.4x for Healius, which ACL considers is highly attractive and ensures Healius Shareholders receive significant value for the upside from the Healius Group Cost Reset.[38]

4. Offer Conditionality

Target's Statement claim: *The Offer is conditional and uncertain to proceed*

Reality of the Offer:

✓ **It will become clearer whether key Conditions are satisfied as the Offer Period progresses. ACL reserves its right to waive any Conditions it can**

The ACL Board believes that the Conditions are necessary to give it comfort as to the nature and state of Healius' business, and Healius' financial condition, at the end of the Offer Period (if the Offer is successful), and that the majority of the Conditions are typical of a merger transaction of the nature of the Proposed Merger, with additional Conditions to account for certain elements of the Offer, being:

- the length of the Offer Period, which is longer than an initial offer period for a takeover bid that is not subject to regulatory conditions because of the ACCC clearance process (which is expected to take at least 6 months); and
- ACL not having the benefit of undertaking due diligence on Healius' non-public information before making the Offer.

Healius disclosed in its Target's Statement and in ASX announcements made on 1 and 2 May 2023 that a number of events have occurred, or are expected to occur, that have resulted, or will or may result, in breaches of certain Conditions. ACL is considering this information and its implications for the Offer. ACL reserves its right to rely on any breaches of the Conditions that have occurred or may occur as a result of the matters disclosed by Healius, and its right to waive any such breaches. ACL expects to provide an update at the appropriate time following ACL's review of the Healius FY23 Financial Statements and the Healius FY23 Annual Report, together with any other information that ACL may require after that review.

5. Opportunity to Accept a Superior Proposal

Target's Statement claim: *Healius Shareholders who accept the Offer may be unable to accept a superior proposal if one emerges*

Reality of the Proposed Merger:

✓ **Healius Shareholders that accept the Offer will retain the opportunity to receive a control premium if the Merged Group is subject to a control transaction in the future**

Healius has not disclosed any superior proposal to the Proposed Merger with ACL between the Announcement Date and the date of the Target's Statement. Healius also stated in the Target's Statement that no information about the Healius Group and its business has been provided to another person in connection with an acquisition of voting power or interests in the business or assets of, or merger or amalgamation with, a Healius Group

[38] Based on Healius' enterprise value of $3,142 million (post AASB 16) and the FY23 Average Broker Forecast of EBIT for Healius (being $100 million). Refer to Annexure A of the Bidder's Statement for details of the FY23 Average Broker Forecast in respect of Healius, including a summary of the selection criteria, number, range and date of the broker forecasts used to calculate the FY23 Average Broker Forecast. See also sub-section 4 of the "*Why You Should Accept the Offer*" section of the Bidder's Statement.

Member (or similar).[39] On Successful Offer Completion, Healius Shareholders will hold 68% of the Merged Group[40] and will retain the opportunity to receive a control premium (as part of a control transaction in respect of the Merged Group) at some time in the future.

6. Ownership of ACL

Target's Statement claim: *The motivations of ACL's largest shareholder and the future ownership and control of ACL should be considered*

Reality of the Proposed Merger:

✓ **The Merged Group's board will be required to act in the best interests of all shareholders. Healius' claims about the future ownership and control of ACL are speculative and Healius' proposed reason why Healius Shareholders should reject the Offer is neither soundly based nor reasonable**

If Successful Offer Completion occurs, the Crescent Shareholders' voting power in ACL would be diluted to 9.68% of the Merged Group,[41] which is well below the 20% voting power threshold generally regarded as giving a shareholder or shareholder group a level of control of an ASX-listed company. The claims made by Healius about the uncertainty of the future ownership and control of ACL are speculative in nature and, accordingly, ACL believes that this reason why Healius Shareholders should reject the Offer that Healius has proposed is neither soundly based nor reasonable.

As currently applies to both Healius and ACL presently, the directors of the Merged Group will have statutory and fiduciary duties that will require those directors to act in the best interests of shareholders as a whole rather than the interests of any individual shareholder.

[39] See sub-section 5.3(b) of the Target's Statement.

[40] The assumptions that ACL has made in calculating these indicative Merged Group ownership percentages are set out in section 7.5 of the Bidder's Statement.

[41] See section 7.7 of the Bidder's Statement for more information, including the assumptions that ACL has made.

Frequently Asked Questions

Question:	View of ACL:	What ACL would suggest Healius Shareholders do:
Is the Proposed Merger likely to be approved by the ACCC?	*ACL considers it has good prospects of securing ACCC clearance for the Proposed Merger*	Healius Shareholders should encourage Healius to actively engage with the ACCC to facilitate the ACCC clearance process. Having clarity on the ACCC clearance process is in the best interests of Healius Shareholders.
Are there $95 million of Expected Cost Synergies available from the Proposed Merger?	*ACL believes that approximately $95 million of Expected Cost Synergies are achievable if Successful Offer Completion occurs,[42] based on detailed analysis.[43] This estimate has not been disputed by Healius in the circumstances where Successful Offer Completion occurs.* *It is ACL's belief that the quantum of the Expected Cost Synergies is so large (approximately 100% of Healius' expected FY23 EBIT, based on Healius' guidance referred to above) that the Healius Board should focus on how the Expected Cost Synergies can be realised through the Proposed Merger for the benefit of Healius Shareholders, rather than recommend that Healius Shareholders reject the Offer.*	Healius Shareholders should actively encourage the Healius Board to engage with ACL on how the $95 million of Expected Cost Synergies can be realised through the Proposed Merger, rather than recommending that Healius Shareholders reject the Offer without exploring whether and how the Expected Cost Synergies can be realised. On 27 April 2023, ACL wrote to the Healius Board and offered to meet with Healius to discuss the rationale for the Offer and, in particular, the Expected Cost Synergies. To date, Healius has not taken up ACL's offer. ACL encourages the Healius Board to engage with ACL in relation to the Expected Cost Synergies.
What is a fair exchange ratio for the Proposed Merger?	*ACL believes that the exchange ratio implied by the Offer Consideration is fair for Healius Shareholders because:* • *it represents a nil-premium merger based on the Post Results Healius VWAP and the Post-Results ACL VWAP;* • *the commercial reality of the Proposed Merger is that Healius Shareholders will hold 68% of the Merged Group if Successful Offer Completion occurs, and Existing ACL Shareholders will be in a minority position in, and will not control, the Merged Group; and* • *on the basis of key earnings metrics, the share of the Merged Group that Healius Shareholders will receive if Successful Offer Completion occurs is greater than the expected earnings that Healius would contribute to the Merged Group (relative to ACL) in FY23 (see above and page 24 of the Bidder's Statement).*	Healius Shareholders should encourage the Healius Board to appoint a reputable independent expert to independently assess the Offer and provide an opinion on whether the Offer is fair and reasonable to Healius Shareholders. Healius Shareholders should encourage the Healius Board to focus on the overall potential value creation of the Proposed Merger and the resulting potential benefit for Healius Shareholders (see sub-section 4 of the "Why You Should Accept the Offer" section of the Bidder's Statement for detailed information).
Who should operate the Merged Group?	*The Merged Group is expected to have a balanced leadership team of talented individuals, representing its diversity, skillset, and ambitions. ACL anticipates that the senior management team of the Merged*	When deciding whether to accept the Offer, Healius Shareholders should review the expected outcomes for Healius Shareholders outlined in the Bidder's Statement and assess the objective

[42] The Expected Cost Synergies of approximately $95 million represent the mid-point of the range of potential synergies of $78 million to $113 million that ACL estimates are achievable from integrating Healius and ACL, and which has been determined by ACL after undertaking a detailed review of Healius' costs. Refer to section 7.4 of the Bidder's Statement for detailed information on the Expected Cost Synergies, including the basis for, and underlying assumptions supporting, the Expected Cost Synergies.

[43] Based on publicly available information in respect of Healius.

Question:	View of ACL:	What ACL would suggest Healius Shareholders do:
	Group will predominantly comprise members from ACL's current senior management team, but it is ACL's intention to include certain members of Healius' current senior management team. *ACL believes that its management team has demonstrated in performance it has superior operating capability.[44] ACL is led by Melinda McGrath who previously operated and ran QML Pathology (part of Healius) from 2008 to 2015 and has built a team at ACL that has delivered strong operating performance.*	achievements of ACL's management compared to those of Healius' management.
Who will have control over the Merged Group?	*If Successful Offer Completion occurs, Healius Shareholders will own 68% of the Merged Group and Existing ACL Shareholders will own 32% of the Merged Group.[45] The composition of the Merged Group's board will ultimately be decided by the Merged Group shareholders. In the interim, ACL will consider the appointment of a number of current Healius Directors as ACL Directors.*	When deciding whether to accept the Offer, Healius Shareholders should review the expected outcomes for Healius Shareholders outlined in the Bidder's Statement and assess the objective achievements of the ACL Board compared to that of the Healius Board.
Are there other value creation opportunities for Healius Shareholders that are comparable or better for Healius Shareholders than the Proposed Merger with ACL?	*The ACL Board believes, based on publicly available information, that the Proposed Merger is the most value accretive option for Healius Shareholders in the near term due to the size of the Expected Cost Synergies that is enabled by a merger with ACL. As set out in the Bidder's Statement, the Proposed Merger has the potential to deliver a 90% increase in the value per Healius Share implied by the Offer Consideration (to $5.15 per Healius Share).[46]*	Healius Shareholders should request that the Healius Board set out whether it believes there is a realistic alternative to the Proposed Merger for Healius Shareholders to increase the value per Healius Share implied by the Offer Consideration by 90% to $5.15 per Healius Share in the near term. Healius Shareholders should also request the Healius Board to explain the rationale for any value creation opportunities, including the risks surrounding the achievement of such value in sufficient detail, so that Healius Shareholders can reasonably evaluate the merits of the Proposed Merger or an alternative plan put forward by Healius. Healius Shareholders should assess the historical performance of Healius management in delivering previously announced cost saving and profit generating initiatives.

Healius Shareholders who have any questions in relation to the Offer should call the Offer Information Line on 1800 882 147 (from within Australia) or +61 1800 882 147 (from outside Australia) between 8.30am and 5.00pm (Sydney time), Monday to Friday.

[44] See sub-section 3 of the "*Why You Should Accept the Offer*" section of the Bidder's Statement for detailed information.

[45] The assumptions that ACL has made in calculating these indicative Merged Group ownership percentages are set out in section 7.5 of the Bidder's Statement.

[46] See sub-section 4 of the "*Why You Should Accept the Offer*" section of the Bidder's Statement.

Approval of Second Supplementary Bidder's Statement

This Second Supplementary Bidder's Statement has been approved by a unanimous resolution passed by all of the ACL Directors.

Date: 22 May 2023

Signed for and on behalf of **Australian Clinical Labs Limited**

Michael Alscher
Chair
Australian Clinical Labs Limited