



Healthscope

Healthscope Hospitals Holdings
Pty Ltd (to be renamed
Healthscope Limited)
ABN 65 144 840 639
Level 1, 312 St Kilda Road
Melbourne Victoria 3004
Tel: (03) 9926 7500
Fax: (03) 9926 7599
www.healthscope.com.au

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HEALTHSCOPE LODGES PROSPECTUS AHEAD OF INITIAL PUBLIC OFFERING

30 June 2014

Healthscope Hospitals Holdings Pty Limited (to be renamed Healthscope Limited) (**Healthscope**) announced today it (together with Healthscope SaleCo Limited (**SaleCo**)) has lodged a prospectus for the initial public offer of New Shares and Existing Shares (**Offer**) with the Australian Securities and Investments Commission (**ASIC**) ahead of listing on the Australian Securities Exchange (**ASX**) (**Prospectus**).

About Healthscope

Healthscope is Australia's second largest private hospital operator and a leading provider of pathology services in Australia, New Zealand, Malaysia and Singapore. The Healthscope Group has a long history of operations in healthcare, being originally formed in 1985 with the business listed on the ASX in 1994. In October 2010 the Healthscope business was acquired by a consortium of funds advised and managed by TPG and The Carlyle Group and was subsequently de-listed from the ASX.

Healthscope operates 41 private hospitals¹ in Australia and manages three private hospitals on behalf of the Adelaide Community Healthcare Alliance, providing a range of acute, psychiatric, rehabilitation and extended care facilities. Healthscope's International Pathology division is a market leader in community pathology in New Zealand and has businesses in Malaysia and Singapore and a small presence in Vietnam. Healthscope's Australian Pathology business comprises a network of 578 collection centres, 69 accredited laboratories, 46 medical centres, 11 specialist skin cancer clinics and one specialist breast diagnostic clinic in Australia².

In commenting on the Offer, Healthscope's Chairman Paula Dwyer said,

"Healthscope is one of Australia's leading private healthcare services providers with a market leading reputation for quality and clinical outcomes. Since becoming privately owned in October 2010, Healthscope has delivered strong earnings growth driven by attractive industry dynamics, ongoing margin improvement through a range of sustainable operational initiatives, and successful completion of growth projects. These include 21 hospital brownfield expansion projects completed adding 318 beds and 18 operating theatres.

"As Healthscope embarks on its next growth phase and continues its focus on strong organic revenue growth, hospital expansion projects and continued margin uplift, it is well placed to benefit from the expected continued increase in demand for private hospital services, underpinned by favourable Australian healthcare sector fundamentals.

"Together with the Board of Directors, I am pleased to be able to offer the opportunity to invest in Healthscope."

In commenting on the Offer, Healthscope's Managing Director Robert Cooke said,

"I believe Healthscope is a business that represents critical social infrastructure in Australia. Healthscope operates in the high growth Australian healthcare market which is supported by strong

¹ Healthscope has entered into a conditional agreement to sell Brisbane Waters Private Hospital and is also scheduled to acquire Frankston Private Day Surgery and Peninsula Oncology Centre on 1 July 2014.

² As at 19 May 2014.



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macroeconomic drivers, a growing and ageing population and a supportive funding environment and low reimbursement risk.

“Healthscope has a strong and tangible pipeline of hospital expansion projects to meet the growing demand for private hospital services. Healthscope is planning to invest approximately \$274 million in nine hospital brownfield expansion projects to deliver 199 new beds and 14 new operating theatres from FY2015 to FY2017, with additional brownfield projects under consideration. Furthermore, Healthscope has two projects underway which would result in relocation of existing hospitals to new, larger facilities, delivering an additional net increase of 208 beds and 11 new operating theatres during this period, for a further capital investment of approximately \$295 million.

“The Offer is being conducted to provide Healthscope with access to capital markets to reduce Healthscope’s existing liabilities, provide increased financial flexibility to pursue further growth opportunities, provide a liquid market for its Shares and provide an opportunity for others to invest in Healthscope.

“I have full confidence in our highly regarded and experienced management team as we focus on the attractive growth opportunities in Hospitals, International Pathology and Australian Pathology, and continued delivery of sustainable operational improvements, particularly in the areas of case mix management and labour and procurement initiatives.

“I am confident that Healthscope can continue to deliver strong earnings growth and stable, high cash flow generation. I look forward to steering Healthscope through the next phase of its journey”.

Summary of the Offer’s key terms and the Offer structure

The Prospectus relates to an initial public offering of New Shares by Healthscope and the sale of Existing Shares by SaleCo. Following Completion of the Offer, CT Healthscope Holdings, L.P. will hold at least 25% of Shares on issue but reserves the right to hold up to 40%.

Healthscope will raise total proceeds under the Offer of \$2,246.8 million to \$2,573.5 million, assuming the Final Price is within the Indicative Price Range. The total number of Shares available under the Offer will be 1,123.9 million to 1,276.7 million, assuming the Final Price is within the Indicative Price Range.³

Assuming the Final Price is at the mid-point of the Indicative Price Range and CT Healthscope Holdings, L.P. elects to retain 32.5% of the Shares on issue at Completion, SaleCo will sell 311.5 million Existing Shares raising \$632.3 million.⁴

Following Completion of the Offer, the total number of Shares on issue will be between 1,665.0 million and 1,891.4 million.⁵

Successful Applicants under the Offer will pay the Final Price. The Final Price will be determined at the conclusion of the bookbuild and may be set at a price below, within or above the Indicative Price Range.

The Offer is made on the terms, and is subject to the conditions, set out in the Prospectus. All Shares will rank equally with each other.

³ Assumes 50% of Notes are Exchanged and CT Healthscope Holdings, L.P. holds 32.5% of Shares on issue at Completion of the Offer.

⁴ Assumes 50% of Notes are Exchanged.

⁵ Assumes 50% of Notes are Exchanged and CT Healthscope Holdings, L.P. holds 32.5% of Shares on issue at Completion of the Offer.

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The Offer comprises:

- a Retail Offer, consisting of:
 - the Broker Firm Offer, which is open to Australian and New Zealand resident retail clients of Brokers who have received a firm allocation from their Broker; and
 - the Personnel and Priority Offer, which is open to Eligible Employees located in Australia and New Zealand and investors nominated by Healthscope;
- the Institutional Offer, which is an invitation to bid for Shares made to Institutional Investors in Australia and in a number of other eligible jurisdictions under the Prospectus or Institutional Offering Memorandum (as applicable); and
- the Noteholder Exchange Offer, which is open to Eligible Healthscope Noteholders who wish to exchange their Healthscope Notes for Shares under the Offer.

Under the Noteholder Exchange Offer, each Healthscope Noteholder electing to Exchange will be issued or transferred a number of Shares equal to the principal outstanding on the Exchanged Healthscope Notes divided by 97.5% of the Final Price. An Exchanging Healthscope Noteholder that Exchanges all Healthscope Notes held by that Healthscope Noteholder may apply for additional Shares at the Final Price and will receive a priority for those additional Shares.

The Offer is being conducted to provide Healthscope with access to capital markets, which it expects will give it added financial flexibility to pursue further growth opportunities; raise capital to reduce Healthscope's existing liabilities; and provide a liquid market for its Shares and an opportunity for others to invest in Healthscope. The Offer also provides CT Healthscope Holdings, L.P. (the limited partners of which are entities controlled by funds advised and managed by TPG and The Carlyle Group) with an opportunity to realise part of its investment in Healthscope.

The Joint Global Co-ordinators of the Offer are Macquarie and UBS. The Joint Lead Managers of the Offer are the Joint Global Co-ordinators together with CIMB, Credit Suisse, Goldman Sachs and Merrill Lynch. The Co-Lead Managers of the Offer are CBA Equities, Evans & Partners and Morgans. The Co-Managers of the Offer are Baillieu Holst, JB Were, Macquarie Equities and UBS Wealth Management.

Further details on the Offer are set out in the Prospectus. Information on how to obtain a copy of the Prospectus is detailed below.

Net debt

Healthscope's pro forma net debt as at 31 December 2013 assuming Completion of the Offer would have been \$865.6 million. This represents 2.4x pro forma FY2014 forecast EBITDA. Part of the proceeds from the Offer will be used to pay down existing liabilities.

Dividend policy

Healthscope intends to pay dividends from its available profits once listed. Healthscope's Directors intend to pay out 70% of net profit after tax (**NPAT**) as a dividend commencing in FY2015.

Healthscope's Directors anticipate that the first dividend to prospective shareholders will be determined in respect of the interim period from 1 July 2014 to 31 December 2014 with reference to available profits and the financial position of Healthscope, and will become payable in March 2015. Healthscope does not expect to be in a position to frank its dividends until FY2018.



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Prospectus

The Prospectus dated 30 June 2014 which is issued by Healthscope and SaleCo contains detailed information about Healthscope's business activities, the Offer and the key risks of an investment in Healthscope. The Prospectus is available in electronic form on the Offer website at **www.healthscopeoffer.com.au** and a copy of the Prospectus may be obtained in hard copy by calling the **Healthscope Offer Information Line** on 1300 705 291 (toll free within Australia) or +61 3 9415 4833 (outside Australia) between 9.00am until 5.00pm (Melbourne time) Monday to Friday. The Offer to purchase Shares in Healthscope will be contained in or accompanied by a Prospectus. Any person considering an investment in Healthscope should read the Prospectus carefully and in its entirety before making a decision whether or not to purchase Shares in Healthscope.

If you have any questions about whether to invest in Healthscope you should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest in Healthscope.

Further enquiries

For additional information on the Offer, visit the Offer website at **www.healthscopeoffer.com.au** or call the **Healthscope Offer Information Line** on 1300 705 291 (toll free within Australia) or +61 3 9415 4833 (outside Australia) between 9.00am and 5.00pm (Melbourne time) Monday to Friday.

For all other enquiries, please contact:

Caroline Sladen
Healthscope Investor Relations
Ph: +61 3 9926 7524
Mob: +61 4 1952 6355



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Key dates

| | |
|--|-------------------|
| Prospectus Date | 30 June 2014 |
| Noteholder Exchange Offer open | 8 July 2014 |
| Noteholder Exchange Offer close | 17 July 2014 |
| Broker Firm Offer and Personnel and Priority Offer open | 8 July 2014 |
| Broker Firm Offer and Personnel and Priority Offer close and Applications due | 22 July 2014 |
| Bookbuild to determine Final Price | 23 – 24 July 2014 |
| Final Price announcement to the market | 25 July 2014 |
| Expected commencement of trading on the ASX on a conditional and deferred settlement basis | 28 July 2014 |
| Settlement of the Offer | 30 July 2014 |
| Completion of the Offer | 31 July 2014 |
| Trading commences on an unconditional and deferred settlement basis on the ASX | 31 July 2014 |
| Expected dispatch of holding statements | 1 August 2014 |
| Trading on a normal settlement basis commences on the ASX | 4 August 2014 |

Key Offer statistics⁶

| | |
|---|-------------------------------|
| Indicative Price Range ⁷ | \$1.76 – \$2.29 |
| Total proceeds under the Offer | \$2,246.8 – \$2,573.5 million |
| Total number of Shares available under the Offer | 1,123.9 – 1,276.7 million |
| Number of Shares to be held by CT Healthscope Holdings, L.P. after Completion of the Offer ⁸ | 541.1 – 614.7 million |
| Total number of Shares on issue at Completion of the Offer | 1,665.0 – 1,891.4 million |
| Indicative market capitalisation | \$3,328.8 – \$3,812.8 million |
| Pro forma net debt (as at 31 December 2013) ⁹ | \$865.6 million |
| Enterprise value ¹⁰ | \$4,194.4 – \$4,678.4 million |
| Enterprise value / pro forma FY2015 forecast EBITDA ¹¹ | 10.8x – 12.1x |
| Enterprise value / pro forma FY2015 forecast EBIT ¹² | 14.7x – 16.4x |
| Indicative Price Range / pro forma FY2015 forecast NPAT per Share ¹³ | 20.0x – 23.0x |
| Forecast dividend yield for final FY2015 dividend ¹⁴ | 3.0% – 3.5% |

⁶ The Forecast Financial Information set out in Section 4 of the Prospectus has been prepared on the basis of the best estimate assumptions set out in Sections 4.9.1, 4.9.2 and 4.9.3 and should be read in conjunction with the discussion on the Pro Forma Historical Financial Information and the Forecast Financial Information in Section 4, including the sensitivities set out in Section 4.10, and the risk factors set out in Section 5. All key Offer statistics that are expressed as a range are based on the Indicative Price Range and assume that 50% of Notes are Exchange, and that CT Healthscope Holdings, L.P. holds 32.5% of Shares on issue at Completion.

⁷ The Indicative Price Range is the indicative price range for the Final Price. The Final Price may be set below, within or above the Indicative Price Range. Shares may trade below the lower end of the Indicative Price Range (refer to Section 7.2 of the Prospectus for further details).

⁸ These Shares will be subject to voluntary escrow arrangements. See Section 7.6 of the Prospectus for further details of these voluntary escrow arrangements.

⁹ Pro forma net debt is calculated as the sum of finance lease obligations and senior debt less upfront fees paid and cash and cash equivalents (refer to Section 4.6.1 of the Prospectus for further details).

¹⁰ Enterprise value is calculated as the indicative market capitalization of \$3,328.8 to \$3,812.8 million (based on the Indicative Price Range), plus pro forma net debt of \$865.6 million as at 31 December 2013 as set out in Section 4.6.1 of the Prospectus.

¹¹ This ratio is commonly referred to as an EV/EBITDA ratio. The EV/EBITDA ratio is calculated as the enterprise value (based on the Indicative Price Range) divided by the FY2015 pro forma EBITDA of \$387.3 million (refer to Section 4.4 of the Prospectus for more details).

¹² This ratio is commonly referred to as an EV/EBIT ratio. The EV/EBIT ratio is calculated as the enterprise value (based on the Indicative Price Range) divided by the FY2015 pro forma EBIT of \$284.7 million (refer to Section 4.4 of the Prospectus for more details).

¹³ This ratio is commonly referred to as the price to earnings or PE ratio. The PE ratio is calculated as the price per share (based on the Indicative Price Range) divided by FY2015 pro forma NPAT per share (being FY2015 pro forma NPAT of \$166.1 million (refer to Section 4.4 of the Prospectus for more details) divided by the total Shares on issue immediately after Completion of the Offer as implied by the Indicative Price Range).

¹⁴ Calculated as the implied dividends per Share (based on the Indicative Price Range) divided by the Indicative Price Range. For more information on Healthscope's dividend policy, see Section 4.13 of the Prospectus.



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This release is not an offer, invitation, solicitation or recommendation with respect to the subscription for, purchase or sale of any security, and neither this release nor anything in it shall form the basis for or of any contract or commitment whatsoever. This release is not a prospectus and does not contain all of the information which would be required to be disclosed in a prospectus. Any decision to purchase or subscribe for shares in Healthscope must be made solely on the basis of the information in the Prospectus and by following the relevant application process, including completing the relevant Application Form. This release does not purport to summarise all information that an investor should consider when making an investment decision. Information in the Prospectus lodged with ASIC may differ materially in both content and document from the information in this release.

This release contains “forward-looking statements” and comments about future events, including Healthscope’s expectations about the Offer, the performance of its businesses and certain strategic transactions. Such forward-looking statements include forecast financial information about Healthscope, statements about industry and market trends, statements about future hospital developments and the progress of current developments and statements about Healthscope’s strategies and the likely outcomes of those strategies. Forward-looking statements can be identified by the use of forward-looking terminology, including without limitation, the terms “believes”, “estimates”, “anticipates”, “expects”, “predicts”, “outlook”, “guidance”, “plans”, “intends”, “should”, “could”, “may”, “will”, “would” and other similar expressions. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Such forward-looking statements are not guarantees of future performance and have been provided as a general guide only, and should not be relied on as an indication or guarantee of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Healthscope and related parties, that may cause actual results to differ materially from those predicted or implied by any forward-looking statements. There can be no assurance that actual outcomes will not differ materially from these forward-looking statements. As such, undue reliance should not be placed on any forward-looking statement. Furthermore, nothing contained in this release nor any information made available to you is, or should be relied upon as, a promise, representation, warranty or guarantee as to the past, present or future performance of Healthscope.