

ASX Announcement (ASX: PRY)

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

PRIMARY
HEALTH CARE LIMITED

ACN 064 530 516
REGISTERED OFFICE:
LEVEL 1, 30-38 SHORT STREET
LEICHHARDT NSW 2040
TEL: +61 2 9561 3300
FAX: +61 2 9561 3301

20 November 2015

Trading update

Primary Health Care Limited (“Primary”) today announced that it expects underlying EBITDA and underlying NPAT for financial year 2016 to be approximately five per cent below the prior year’s underlying results, with statutory NPAT expected to be broadly in line with underlying, subject to trading conditions in the remainder of the year and the outcome of the various Government reviews. This is due to margin compression caused by a subdued revenue environment. Specifically:

- Medical Centres is experiencing flat revenue growth due to the freeze on the indexation of Medicare rebates and starting the year with lower than expected Healthcare Practitioner numbers. Nevertheless, good progress has been made in FY 2016 with recruitment and retention levels ahead of expectations and, with the current roll-out of new flexible recruitment packages, Healthcare Practitioner numbers are expected to improve going forward.
- Pathology revenue growth was ahead of historically soft Medicare market data but our growth rates were lower than expected and were impacted by the fee cuts to Vitamin D and other tests which annualise in November. While performance has continued to be affected by cost growth associated with collection centres, we believe cost pressures will moderate following the Government’s confirmation that collection centre deregulation will remain and our on-going focus on underperforming sites. To date, we have closed 48 sites and this number is expected to rise. A range of other cost reduction initiatives have been initiated which will improve margins in the second half.
- Diagnostic Imaging experienced subdued revenue growth consistent with Medicare data, with market softness the likely consequence of regulatory uncertainty and the impact on referral patterns. Primary has developed performance improvement plans across its Imaging network including cost reductions and closure of underperforming sites.

Primary Managing Director, Mr Peter Gregg said: “The concurrence of disappointing operating performance in our Medical Centres, subdued market conditions in our Pathology and Diagnostic Imaging businesses, and the timeframe required to deliver the benefits from our Strategic Review initiatives, has led to a revised outlook for financial year 2016.

“We have made good progress on strengthening our balance sheet with the sale of our shareholding in Vision Eye Institute and the Barangaroo site, and the receipt of the ATO refund. We are in the final stages of establishing the Primary Health Property Trust.

“Looking further ahead, we aim to drive top-line growth by becoming the partner of choice for Healthcare Practitioners, supported by our flexible recruitment models and the roll out of large-scale

medical centres. Combining this with a greater focus on returns on investment, stronger free cash flow, and a more flexible cost base, we expect to deliver sustainable growth in returns for our shareholders.”

ENDS

For further information contact:

Janet Payne – 02 8397 9999 (analysts and investors)

Lauren Thompson – 0438 954 729 (media)