



# Credit Suisse Asian Investment Conference

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April 2016



# Healthscope

## Leading integrated healthcare service provider

### Hospitals

- Large private hospital operator in Australia with a presence in all Australian states and territories
- 46 hospitals concentrated in large metropolitan centres
  - 33 acute hospitals
  - 7 mental health hospitals
  - 6 rehabilitation hospitals

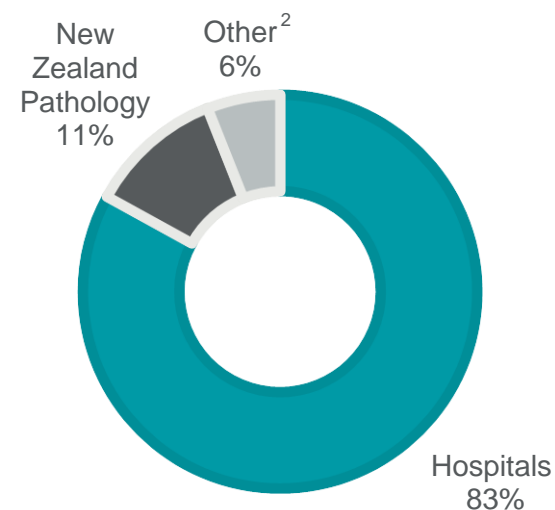
### International pathology

- Largest provider of human pathology services to New Zealand's District Health Boards ("DHBs")
- One of the largest community pathology providers in Malaysia and Singapore, with a smaller presence in Vietnam
- 50 pathology laboratories

### Medical centres

- One of the largest medical centre networks in Australia
  - 47 medical centres
  - 5 skin clinics
  - 1 specialist breast diagnostic clinic

## Hospital division contributes 83% of Group Operating EBITDA<sup>1</sup>



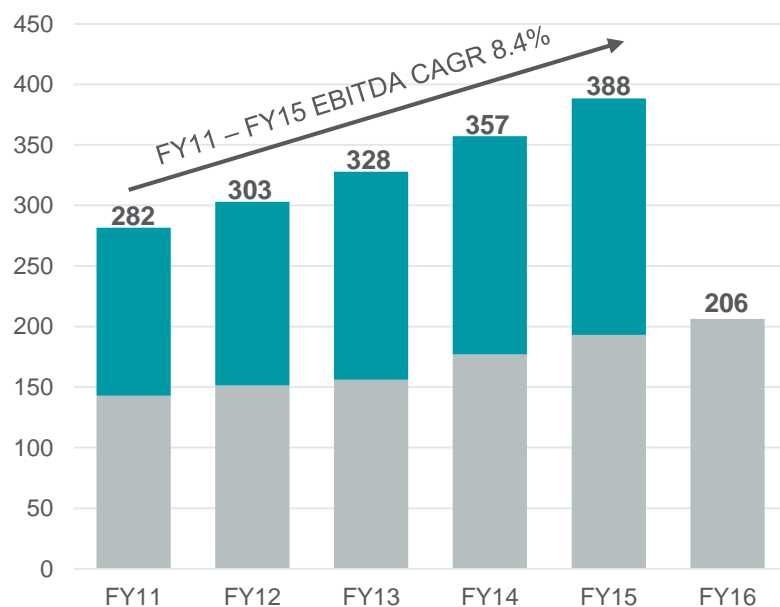
1. Based on Healthscope's 1HFY16 Group Operating EBITDA, before unallocated costs

2. Includes Malaysia pathology, Singapore pathology and medical centres

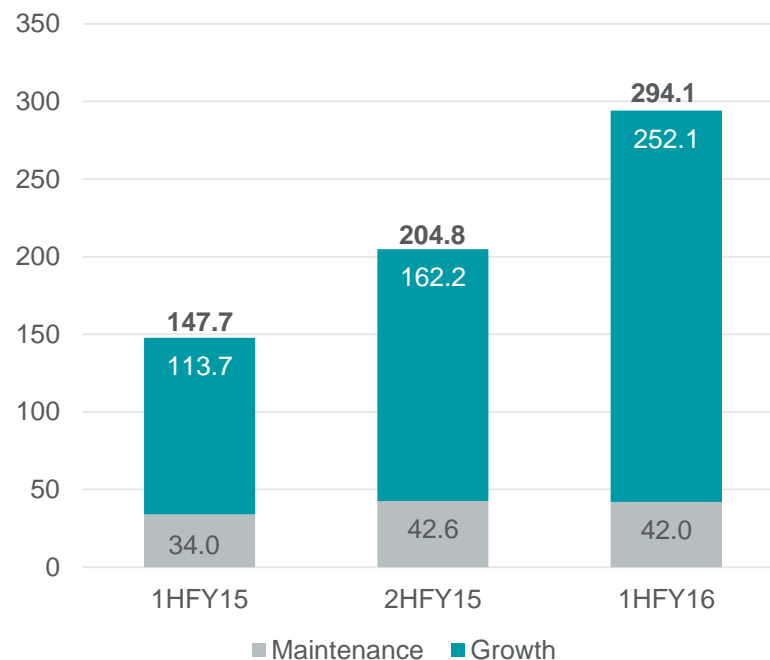
# Financial highlights

Strong financial track record with a significant pipeline of hospital expansion projects laying the foundation for accelerated growth in FY17 and beyond

## Robust Operating EBITDA growth (\$m)



## Increasing capital expenditure (\$m)<sup>1,2</sup>



1. Total capital expenditure includes investment across the Group
2. Includes capital expenditure for continuing operations only

# 1HFY16 result highlights



## Financial

Statutory NPAT up 64% to \$95.9m

### Continuing operations<sup>1</sup>

- Group revenue up 5.5% to \$1.15bn
- Group Operating EBITDA up 8.0% to \$206.4m
- Group Operating EBIT up 9.0% to \$159.8m
- Hospital Operating EBITDA up 10.0% to \$182.7m with margin expansion of 90bp
- New Zealand Pathology<sup>2</sup> Operating EBITDA up 17.4% to \$23.2m
- Interim dividend of 3.5cps



## Operational

- Case mix, labour and procurement initiatives continued to deliver
- Hospital expansion program remains on track
- Expanded hospital portfolio to include Hunter Valley and LaTrobe private hospitals
- Successful integration of new Wellington pathology contract in New Zealand
- Continued market leadership in quality and clinical outcomes
- Continued to successfully renew long-term contracts with health funds
- Completed divestment of underperforming non-core Australian Pathology operations

1. "Operating" results represent Statutory results from continuing operations adjusted for other items of income and expense

2. As a result of the divestment of Healthscope's Australian Pathology operations in July 2015, reportable segments have been revised to Hospitals, New Zealand Pathology and Other

# Industry overview

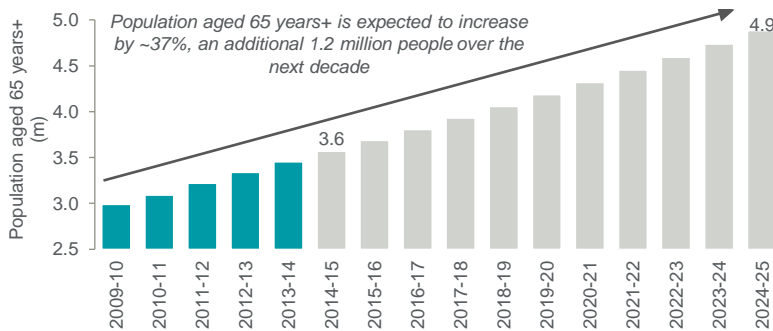
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# Attractive industry fundamentals

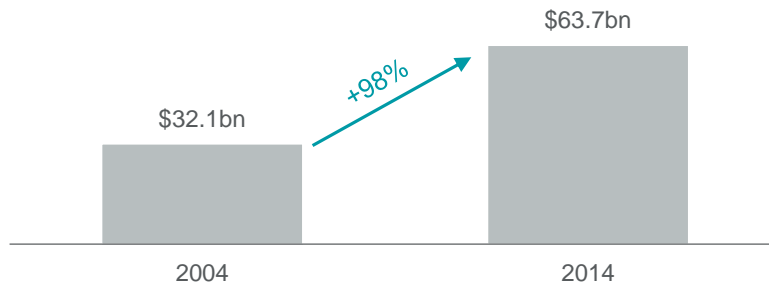
A growing and ageing population and a public hospital system that is under considerable pressure underpins future demand growth

Strong population growth coupled with an increasing proportion of those aged 65 years+



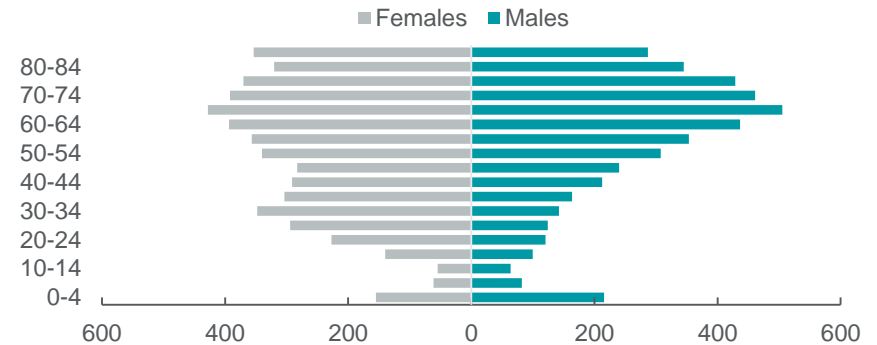
Source: Australian Bureau of Statistics

The Australian Government's healthcare expenditure has grown materially over the last decade...



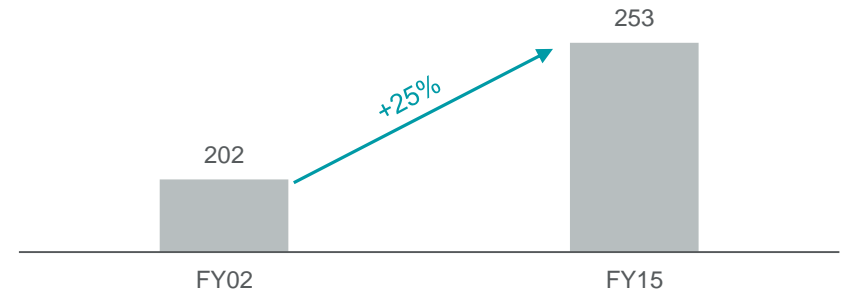
Source: AIHW

Individuals over 65 years have a higher rate of separations



Note: Admissions used as a proxy for separations or hospitalisations

...However, significant and growing waiting lists exist for elective surgery in the public system (days)



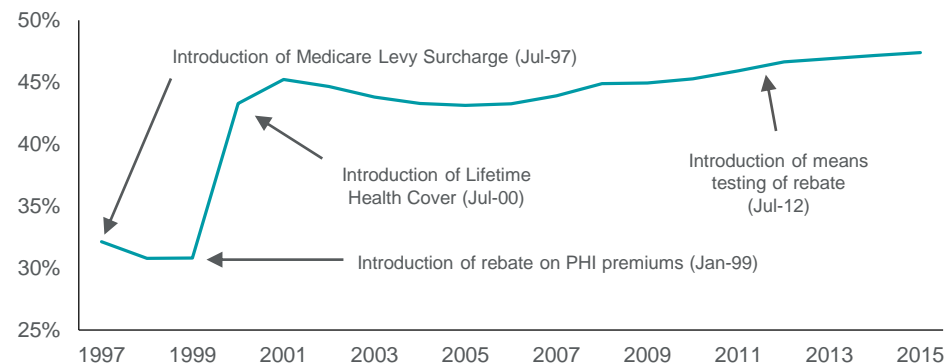
Source: AIHW

# Attractive industry fundamentals

## Sector trends remain strong and unchanged

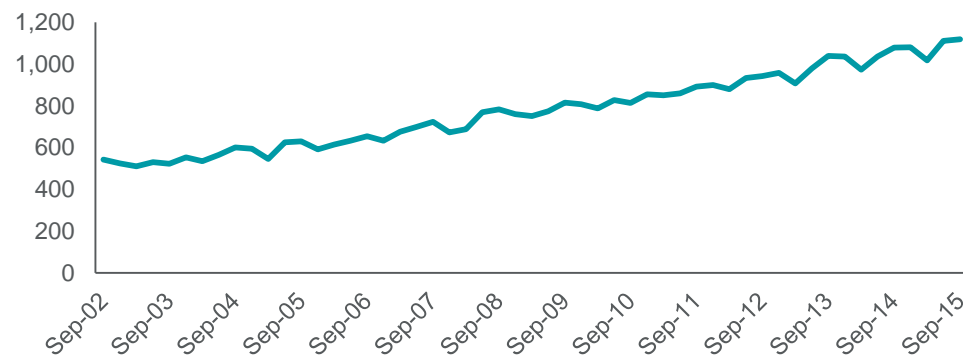
- ✓ Government policy incentives continue to encourage a high level of private health insurance participation
- ✓ Increasing wealth per capita
- ✓ Growing number of lifestyle and degenerative diseases
- ✓ Developments in medical technology and capabilities

### Proportion of population with private health insurance steady at 47.2%



Source: APRA

### Private hospital volumes have consistently trended upward



Source: APRA

# Regulatory reviews

- The Australian Government announced a series of healthcare reviews in 2015 which are focused on the growing pressure within the public health system, public and private healthcare affordability and the efficient delivery of healthcare services
- We are actively involved in these reviews and expect them to lead to positive healthcare reform, endorsing the role and efficiency of the private sector in delivery of services

Review	Objectives
Medicare Benefits Schedule (MBS) Review	<ul style="list-style-type: none"><li>• Modernise the MBS schedule to reflect contemporary medical practice and curb inefficiency by ensuring that low value items (those that provide no or negligible clinical benefit) cease being funded, allowing investment to be redirected into more effective services</li></ul>
Private Health Insurance (PHI) Consultation	<ul style="list-style-type: none"><li>• Enhance inherent value proposition of PHI products</li><li>• Address increasing complexity of products and amend inefficient regulation</li><li>• Efficient pricing of prosthesis</li></ul>
Primary Health Care Review	<ul style="list-style-type: none"><li>• Investigate innovative care and funding models, with particular focus on effective delivery of care for people with complex and chronic illness</li><li>• Greater emphasis on multi-disciplinary care, payment for outcomes and improving the interface between primary and acute care</li></ul>
Reform of the Federation	<ul style="list-style-type: none"><li>• Determine the most efficient delivery of Federal Government funding for public and private hospitals</li><li>• Includes consideration of contestability of State services which was recommended by the Harper Competition Policy Review in March 2015</li></ul>



# Business overview and growth outlook

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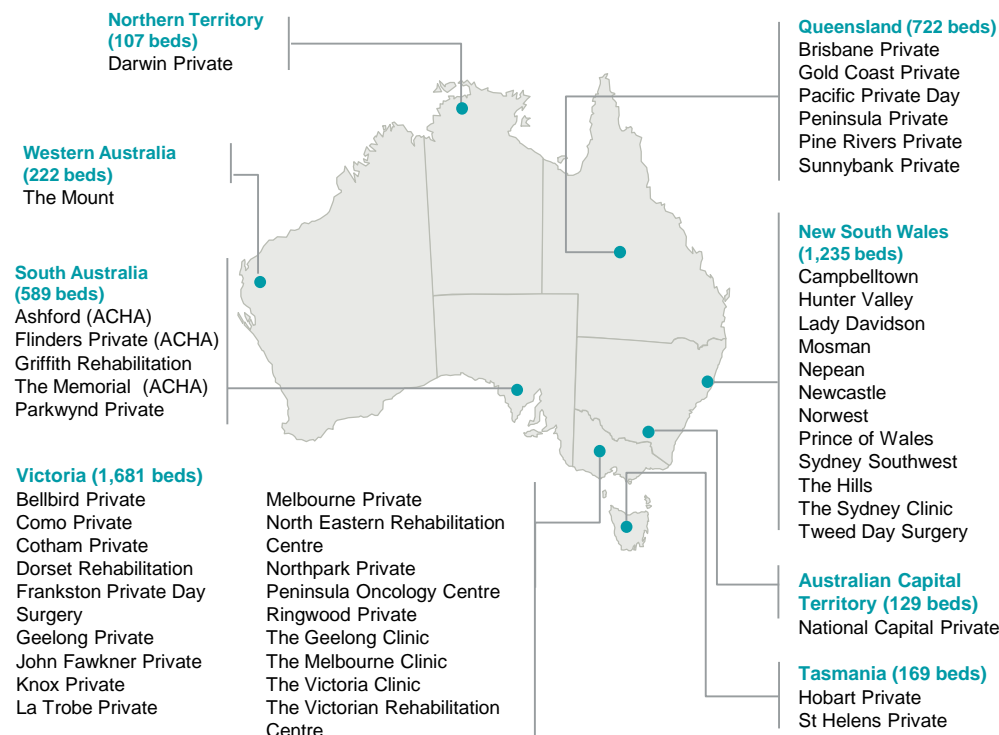


# Hospitals

**Healthscope is Australia's second largest private hospital operator with a portfolio of 46 private hospitals and over 4,800 beds nationwide<sup>1</sup>**

- ✓ Concentrated in large metropolitan centres
- ✓ Largest operator of co-located hospitals in Australia with 11 co-located hospitals<sup>2</sup>
- ✓ Provide a range of acute, psychiatric and rehabilitation care services
- ✓ Market-leading reputation for quality and clinical outcomes
- ✓ Offer a range of attributes that are attractive to doctors
- ✓ Strong platform for growth






**National network of hospitals with a presence in all states and territories**



1. As at 1 April 2016. Includes three hospitals under management for the Adelaide Community Healthcare Alliance ("ACHA")  
 2. Co-location refers to a private hospital being located next to a public hospital

# Hospital growth strategy

Consistent and proven strategy provides foundations for sustainable growth

ORGANIC	BROWNFIELDS	RELOCATE AND GROW	PPPs / GOVERNMENT OUTSOURCING	INTERNATIONAL GROWTH
				
<p>Labour, occupancy and utilisation improvements</p> <p>Acuity mix optimisation</p> <p>Pay-for-quality initiatives</p> <p>Direct sourcing opportunities</p> <p>Collaborate with health funds</p> <p>Hub and spoke networks</p>	<p>Focus on large, acute hospitals which are capacity constrained</p> <p>Typically located in high growth corridors and/or are co-located</p>	<p>Construct newer, larger facility close to an existing facility and relocate services</p>	<p>Further opportunities for private sector participation in delivery of public hospital services</p>	<p>Hospital management opportunities</p>

# Hospital expansion program

## Extensive pipeline of projects to address capacity constraints and growing demand

- Capacity constraints continue to restrict growth at a number of larger sites
- Strong forecast local population growth driving further capacity requirements
- Six projects completed since FY15 have delivered 163 beds and 9 operating theatres (net)<sup>1</sup>
- Current pipeline of 11 projects<sup>2</sup> will deliver an additional 804 beds and 43 operating theatres by the end of 2018

### Major projects currently under construction



Northern Beaches (NSW) – 450<sup>3</sup> beds / 20 theatres



Holmesglen Private (VIC) – 147 beds / 8 theatres



Frankston Private (VIC) – 60 beds / 2 theatres



Norwest Private (NSW) – 60 beds / 3 theatres

1. Relocate and grow projects presented on a net basis which accounts for the incremental increase in bed and theatre numbers resulting from the relocation to the new facility
2. Includes projects that are under construction or board approved – refer Appendix 1
3. 488 beds if inclusive of day beds

# Northern Beaches Hospital

## Example of private sector participation in public health

- Healthscope has been contracted by the NSW Government to design, build, operate and maintain the Northern Beaches Hospital
- Landmark project which recognises the value-adding role private hospital operators can play in the delivery of public healthcare services
- NSW Government is closing public hospital acute services at Manly and Mona Vale public hospitals with services relocated to the Northern Beaches Hospital
- Located in the Northern suburbs of Sydney
- Innovative operating model
- 450<sup>1</sup> beds and 14 operating theatres
- Scheduled to open end of 2018

1. 488 beds if inclusive of day beds

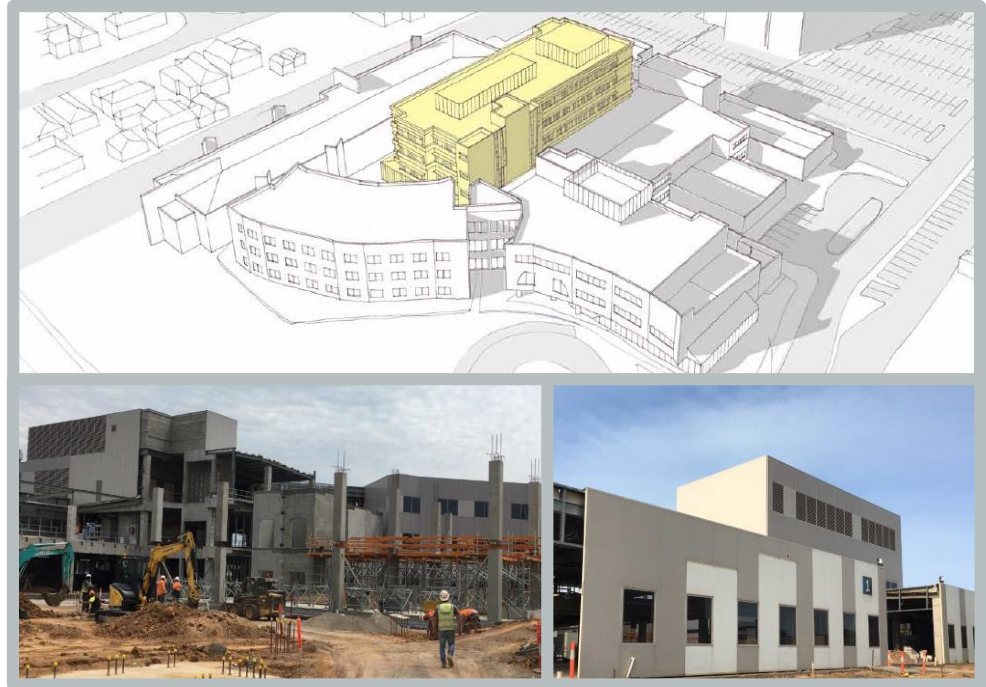




# Holmesglen Private Hospital

**Co-located with Victoria's largest TAFE<sup>1</sup>, enhancing long-term education linkages**

- Relocation of Healthscope's existing Como Private Hospital operations
- Situated within Holmesglen's Moorabbin campus, directly adjacent to Victoria's largest nursing TAFE<sup>1</sup>
- Co-location will provide enhanced training opportunities and clinical placements for students
- 147 beds and 8 operating theatres
- Scheduled to open in 2017



1. Technical and further education institution

# New Zealand pathology

## Healthscope is the largest provider of human pathology services to District Health Boards

- Healthscope has pathology contracts with 13 of the 20 DHBs
- Operates 19 pathology laboratories
- Operates under Southern Community Laboratories (“SCL”), Labtests, Northland Pathology and Gribbles Veterinary brands
- Generates a reliable revenue and earnings stream
- Greater operational efficiencies to be driven by continued focus on
  - integration of regional laboratory infrastructure
  - rationalisation of equipment platforms
  - increased centralisation
- Existing network to be leveraged to grow non-DHB funded revenue streams



# South East Asian pathology

**One of the largest community pathology providers in Malaysia and Singapore**

- 31 pathology laboratories across the region
  - 27 laboratories in Malaysia
  - 3 laboratories in Singapore
  - 1 laboratory in Vietnam
- Operates under the Gribbles and Quest brands
- Future growth to be driven by
  - investment in laboratories to deliver further cost efficiencies
  - focus on improving revenue case mix through targeted value-added service offerings and increased penetration of specialist, commercial and hospital markets
  - potential bolt-on acquisition opportunities





# Medical centres

**One of the largest networks of medical centres in Australia with 53 facilities**

- Facilities include
  - 47 medical centres
  - 5 skin clinics
  - 1 specialist breast diagnostic clinic
- Over 2 million consultations provided per annum
- Provides serviced medical centres to ~420 general practitioners
- Strengthens links with hospitals and private health insurers
- Further opportunities for growth to be explored, including those arising from the Federal Government's review of primary health care



# Summary

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# Summary

- Strong 1HFY16 result underpinned by continued growth in Hospital and New Zealand Pathology divisions
- Hospital expansion program remains on track, with additional projects added to the pipeline
- Well positioned to leverage existing platforms for future growth opportunities
- Strong balance sheet to fund pipeline of growth opportunities
- Continue to be recognised as a leader in quality and clinical outcomes
- Continue to actively contribute to Government healthcare review processes and respond to opportunities as they arise

# Appendix

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# Appendix 1: Hospital expansion program

## Projects under construction

	Beds	Operating theatres	Other
Northern Beaches (NSW)	450 <sup>1</sup>	20	ED, consulting suites, radiology, GP clinic
Holmesglen Private (VIC)	147	8	Consulting suites, oncology bays, ICU, ED
Norwest Private (NSW)	60	3	Consulting suites
Frankston Private (VIC)	60	2	Oncology department, car parking
Newcastle Private (NSW)	16	2	Car parking, consulting suites
Darwin Private (NT)	-	2	CSSD relocation
John Fawkner (VIC)	-	-	Day surgery, ED

## Board approved projects

	Beds	Operating theatres	Other
John Fawkner Private (VIC)	42	2	Expand CCU, car parking
Brisbane Private (QLD)	29	2	Consulting suites, car parking, retail
Sunnybank Private (QLD)	-	2	Consulting suites, car parking
Northpark Private (VIC)	-	-	ED

1. 488 beds if inclusive of day beds

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