

ASX Announcement (ASX: PRY)



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11 July 2016

Trading update

Following a balance sheet review undertaken as part of the finalisation of its 2016 results (FY2016), Primary Health Care Limited advises that it expects to take approximately \$98 million in after-tax, non-cash write offs to address the carrying values of a number of balance sheet items. Of these write-offs, \$32 million is required to be accounted for in prior periods and \$66 million in the current year.

The impact on the Group's statutory net profit after tax (NPAT) for FY2016 will be partially offset by \$30 million of profit on sales of Medical Director and Transport Health, in addition to those items which were announced at the half year results for 2016.

On an underlying basis, Primary had expected to meet the bottom end of its forecast range of \$110 million to \$115 million through normal trading but will now take a write-off of approximately \$4 million for the aforementioned balance sheet review and a further adjustment of \$2 million for the sale of Medical Director six weeks earlier than expected. This results in an updated underlying NPAT forecast of approximately \$104 million for FY2016.

Primary's Managing Director and CEO, Peter Gregg, stated: "We are focused on setting the right foundations for the long-term, cleaning up the balance sheet and taking a more conservative approach to our asset values and levels of provisioning.

"Importantly, the adjustments do not impact the Group's cash position or compliance with its banking covenants. Indeed, we are improving our balance sheet strength with over \$300 million of gross proceeds generated in FY2016 from our capital recycling initiatives.

"The impact of the balance sheet write-offs on underlying profit, together with the timing of the Medical Director sale, has driven a reduction in the forecast for underlying NPAT to \$104 million. Otherwise trading has been in line with expectations," Mr Gregg concluded.

Details of the \$66 million adjustments to FY2016 balance sheet carrying values are as follows:

- business transformation charges including legacy IT systems, loss on imaging equipment sale and leaseback, and centre closures of \$22 million;
- write-off of various capitalised assets of \$19 million, including HCP intangibles and inventory;
- property related impairments totalling \$7 million, including the reduction in the carrying value of leasehold improvements;
- increase in the level of provisioning of \$7 million; and
- other sundry items totalling \$11 million.

Details of the \$32 million adjustments to opening balances are as follows:

- property related impairments totalling \$23 million, including the reduction in the carrying value of leasehold improvements; and
- write-off of various capitalised assets and increase in provisioning totalling \$9 million.

The final FY2016 results remain subject to the finalisation of the year-end reporting process and external audit. They are due to be announced to the market on 17 August 2016.

ENDS

TELECONFERENCE

Primary will host a teleconference today (Monday, 11 July) at **10:30am AEST**.

DIAL IN DETAILS:

Australia Toll Free: 1 800 558 698

Australian Local Number: +612 9007 3187

Conference ID: 160877

*In order to ask a question during the question and answer session, please press * then 1 on your telephone keypad in order to enter the Q&A queue. To withdraw your question simply key * then 2.*

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