



Healthscope FY13 results presentation

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Agenda

- Introduction
- FY13 Group results
- FY13 divisional results
- Strategic direction
- Conclusion
- Questions

Introduction

Introduction

- Healthscope delivered FY13 revenue growth of 4.5% and EBITDA growth of 8.3% (before other non-operating expenses)
- Business strategies delivering sustainable improvement in Group performance
- Experienced and stable management team in place across the business
- Strong second half performance with all divisions recording double digit earnings growth in 2H13 v 2H12
- Strong performance from Hospitals with top line growth translating into solid earnings growth
- Australian Pathology delivered an improved second half reflecting the successful restructure of the business
- International Pathology produced another strong performance
- As reported in 1H13, result impacted by \$120m Impairment of Goodwill on Australian Pathology business – no impact on cashflow and covenants
- Successful issue of Healthscope Subordinated Notes II completed March 2013
- Cashflow conversion at 95%
- Industry fundamentals of private healthcare remain strong

Key achievements FY13

Hospitals	<ul style="list-style-type: none">• Volume growth maintained• Labour and procurement initiatives delivering• Successful health fund outcomes underpinned by stronger relationships• Development Application (DA) process progressing well for key projects
Australian Pathology	<ul style="list-style-type: none">• Stable performance VIC and SA• Successful NSW restructure completed
Medical Centres	<ul style="list-style-type: none">• Successful GP recruitment with 59 new GPs recruited• 11 medical centres are now expanded / upgraded to large multi-disciplinary centres
International Pathology	<ul style="list-style-type: none">• Strong growth in New Zealand and Singapore

Industry update

Hospitals	<ul style="list-style-type: none">• Industry dynamics remain strong<ul style="list-style-type: none">• Ageing population• Increasing chronic disease burden• Public hospital waiting lists growing• Private health insurance membership stable at 47%• Strong growth of private patients in public hospitals continuing• Increased appetite of State Government's to work with Private sector<ul style="list-style-type: none">• Eg. Northern Beaches, Sunshine Coast, Victorian waiting list scheme
Australian Pathology	<ul style="list-style-type: none">• Market growth in outlays of >5% - fee adjustment discussions commenced• Government's review of collection centres delayed• Additional public sector outsourcing opportunities expected to arise
Medical Centres	<ul style="list-style-type: none">• Solid FY13 market growth in consults
International Pathology	<ul style="list-style-type: none">• New Zealand – District Health Boards continuing to outsource pathology• Singapore / Malaysia – growth opportunities

FY13 Group results

FY13 Group performance

	FY13	FY12 Movement	
	\$m	\$m	%
Revenue	2,211.3	2,115.8	4.5%
EBITDA (1)	328.1	303.0	8.3%
Depreciation	(92.0)	(84.7)	-8.6%
EBIT (1)	236.1	218.3	8.1%
Other expenses (refer next slide)	(165.6)	(10.6)	n/a
Net finance costs	(185.2)	(185.6)	0.2%
Profit / (loss) before tax	(114.7)	22.1	n/a
Tax	(2.4)	(6.6)	63.6%
Net profit / (loss) after tax	(117.1)	15.5	n/a
<i>EBITDA margin %</i>	<i>14.8%</i>	<i>14.3%</i>	<i>+50bp</i>
<i>EBIT margin %</i>	<i>10.7%</i>	<i>10.3%</i>	<i>+40bp</i>

- Solid Group result driven by strong performance from Hospitals and International Pathology
- All divisions delivered strong second half
- Moderate revenue growth translating into strong earnings growth
- Group EBITDA margin up 50bp to 14.8%

1. Operating EBITDA and operating EBIT excludes other expenses (non operating) of \$165.6 million

Other expenses (non operating)

	FY13	FY12
	\$m	\$m
Profit on sale of operations	4.6	-
Onerous leases and related costs	(37.8)	-
Restructure and other costs	(12.4)	(10.6)
Impairment of goodwill - Australian Pathology	(120.0)	-
Total other expenses	(165.6)	(10.6)

- \$120 million impairment of goodwill – Australian Pathology
 - No impact on cash flow or covenants
- Onerous leases and related costs - \$37.8 million
 - Largely arisen due to planned re-location to Gold Coast Private Hospital
 - Impact of pathology restructure

Capital structure and cash flow

- Healthscope Subordinated Notes II issue completed March 2013, raising \$305 million

	30-Jun-13	31-Dec-12
	\$m	\$m
Total Assets	3,370	3,323
Net debt		
Cash	(70)	(84)
Senior debt	1,103	1,392
Notes 1	200	200
Notes 2	305	0
Other debt	38	35
Total Net debt	1,576	1,543
Net assets / equity	79%	78%
Net debt / net debt + equity	62%	61%

- Debt and gearing levels relatively constant
- FY13 cashflow from operations of \$311.0 million, up from \$301.4 million in FY12
- FY13 EBITDA to cash flow conversion of 95%

Covenants

- As at 30 June 2013, Healthscope continued to meet all of its banking covenants

Covenant	Actual Covenant Jun-13	Covenant limit Jun-13 quarter
Senior Gearing Ratio (Debt / EBITDA)	3.20X	<4.45X
Debt Service Cover Ratio	1.25X	>1.05X
Interest Cover Ratio (EBITDA / Net Interest Expense)	1.89X	>1.65X

FY13 divisional results

Hospitals FY13 performance

	FY13	FY12 Movement	
	\$m	\$m	%
Revenue	1,660.3	1,584.2	4.8%
EBITDA	275.8	252.5	9.2%
EBITDA margin %(1)	16.6%	15.9%	+70bp

(1)EBITDA margin includes prosthetics revenue and costs

- Solid FY13 performance, with strong second half
- Revenue growth of 5.5% and EBITDA growth of 9.8% if exclude discontinued diagnostic imaging operations
- Acute and psychiatric delivered strongest volume growth
- Labour and procurement initiatives continued to deliver
- Modest impact of brownfields with 55 new beds added during period, largely in psychiatric and rehabilitation hospitals
- Strong FY15 brownfields pipeline now in place

Major brownfield developments completed in FY13

Hospital	Project	Date operational
Vic Rehab Centre (Victoria)	Allied Health expansion	Jul 12
Geelong Clinic (Victoria)	Consulting Suites	Oct 12
Victoria Clinic (Victoria)	Day Program expansion	Nov 12
Geelong Clinic (Victoria)	13 beds	Jan 13
Northpark (Victoria)	Consulting Suites	Feb 13
Sunnybank (Queensland)	Maternity Refurb	Mar 13
Brisbane Private (Queensland)	Ward Refurb & Infrastructure Upgrade	Mar 13
Vic Rehab Centre (Victoria)	30 beds	Apr 13
Victoria Clinic (Victoria)	12 beds	Apr 13
Norwest (NSW)	2 OR's, Day Surgery & 3 ICU Beds	Jun 13
Melbourne Clinic (Victoria)	Consulting Rooms	Jun 13
Knox (Victoria)	Maternity Refurb	Jul 13
Lady Davidson (New South Wales)	Ward Refurb	Jul 13

- Other large projects previously completed such as Norwest, Knox, Prince of Wales performing strongly
- Strong pipeline of major projects for delivery FY15 and beyond
- Development Applications in progress for major acute facilities

Australian Pathology FY13 performance

	FY13	FY12	Movement
	\$m	\$m	%
Revenue	360.5	364.6	-1.1%
EBITDA	20.0	23.4	-14.5%
<i>EBITDA margin %</i>	<i>5.5%</i>	<i>6.4%</i>	<i>-90bp</i>

- Australian Pathology
 - Excluding impact of divestments, revenue growth was 4%
 - Victoria and South Australia have had steady financial performance
 - Successful restructure of NSW operations – focussed now on Sydney metro and major regional centres
 - Focussed on restoring volumes in Queensland following impact of sale process
- Medical centres growth solid with cost management improvements in second half

International Pathology FY13 performance

	FY13 \$m	FY12 \$m	Movement %
Revenue	190.6	167.0	14.1%
EBITDA	44.5	38.7	15.0%
EBITDA margin %	23.3%	23.1%	+20bp

- Strong performances from New Zealand and Singapore
- **New Zealand: Revenue growth 14.4%, EBITDA growth 12.6%***
 - Strong revenue growth – annualisation of Christchurch contract and Medlab South acquisition
 - Government relations and quality service continuing momentum
- **Singapore: Revenue growth 12.8%; EBITDA growth 26.5%***
 - Robust revenue growth – volume and casemix
 - Strong cost management
- **Malaysia: Revenue growth -2.5%; EBITDA growth -1.8%***
 - Revenue impacted by market slowdown
 - Strong cost management

*Based on results in local currency

Strategic direction and conclusions

FY14 key deliverables

Hospitals	<ul style="list-style-type: none">• Volume momentum• Further labour and procurement efficiencies• Quality differentiator with health funds• Progressing key brownfield projects to next stage
Australian Pathology	<ul style="list-style-type: none">• Growth in line with market• Performance in line with post restructure plans
Medical Centres	<ul style="list-style-type: none">• Maximising returns from existing facilities – doctor recruitment, cost control• Value add to health fund relationships
International Pathology	<ul style="list-style-type: none">• Organic growth, new funding contracts and operating efficiencies

Strong growth pipeline

- Brownfields
 - Strong pipeline – focus on large acute facilities
- Greenfields
 - Gold Coast Private Hospital - 284 beds
 - Other opportunities
- Public private opportunities
 - State Governments have expressed desire to engage private sector in provision of public health services

Conclusions

- Strong portfolio of businesses
- Industry fundamentals remain strong
- Momentum gaining pace with all divisions delivering strong second half growth
- Hospitals the engine room with revenue growth translating into strong earnings growth
- Turnaround of Australian Pathology is tracking well
- International Pathology continues to deliver strong growth
- Robust growth pipeline

Questions