



Healthscope 1H13 results presentation

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Agenda

- Introduction
- 1H13 Group results
- 1H13 Divisional results
- Conclusion
- Questions

Introduction

Introduction

- Strategy is embedded and delivering
- Strong performance from Hospitals (87% of 1H13 EBITDA) with solid volume growth and margin uplift
- International Pathology produced another excellent performance
- Australian Pathology result was impacted by NSW and QLD businesses as a result of the sale process that did not proceed
- Result impacted by \$120m Impairment of Goodwill on Australian Pathology business – no impact on cashflow and covenants
- Cashflow conversion at 113%
- Fundamentals of private healthcare remain strong with favourable underlying industry fundamentals

Key achievements 1H13

- **Hospitals**
 - Volume growth gaining momentum
 - Labour and procurement initiatives delivering
 - Improved relationships with health funds delivering better outcomes
 - Strong brownfields pipeline with active Development Application (DA) process
- **Australian Pathology and Medical Centres**
 - VIC and SA pathology stabilised
 - Restructure of NSW pathology nearly complete
 - WA pathology sale to Sonic completed
 - 33 new GP's recruited
 - 7 medical centres are now expanded / upgraded to large multi-disciplinary centres
- **International Pathology**
 - All countries performed strongly
 - Successful commissioning and formal opening of Christchurch laboratory in November

1H13 Group results

1H13 Group performance

	1H13	1H12 Movement	
	\$m	\$m	%
Revenue	1,114.3	1,058.3	5.3%
EBITDA	156.0	151.4	3.0%
Depreciation	(46.7)	(41.4)	-12.8%
EBIT	109.3	110.0	-0.6%
Other expenses (refer next slide)	(123.3)	(4.4)	2701.6%
Net finance costs	(92.3)	(92.1)	-0.2%
Profit / (loss) before tax	(106.3)	13.5	n/a
Tax	(2.9)	(3.5)	-17.4%
Net profit after tax	(109.1)	10.0	n/a

- Hospitals and International Pathology delivered solid growth on prior year
- Group result impacted by pathology operations in NSW and QLD, and Medical Centres performance in Q2

Other expenses (non operating)

	1H13	1H12
Profit on sale of WA Pathology business	4.2	-
Acquisition costs	(0.5)	(0.9)
Restructure and other costs	(7.1)	(3.5)
Impairment of goodwill - Australian Pathology	(120.0)	-
Total other expenses	(123.3)	(4.4)

- \$120 million impairment of goodwill – Australian Pathology
 - No impact on cash flow or covenants

Covenants

- As at 31 December 2012, Healthscope continued to meet all of its banking covenants

Covenant	Actual Covenant Dec-12	Covenant limit Dec-12 quarter
Senior Gearing Ratio (Debt / EBITDA)	4.29X	<4.60X
Debt Service Cover Ratio	1.36X	>1.05X
Interest Cover Ratio (EBITDA / Net Interest Expense)	1.80X	>1.60X

1H13 Divisional results

Hospitals 1H13 performance

	1H13	1H12	Movement
	\$'000	\$'000	%
Revenue	836.8	796.1	5.1%
EBITDA	136.4	126.2	8.0%
EBITDA margin %(1)	16.3%	15.9%	+40bp

(1)EBITDA margin includes prosthetics revenue and costs

- Solid 1H13 performance, with all states showing good growth on prior year
- Revenue growth 6% if exclude discontinued diagnostic imaging revenue
- Acute hospitals performed very strongly
- Labour and procurement initiatives delivering

Major brownfield developments completed in 1H13

Hospital	Project	Date operational
Vic Rehab Centre	Allied Health expansion	Jul 12
Geelong Clinic	Consulting Suites	Oct 12
Victoria Clinic	Day Program expansion	Nov 12
Geelong Clinic	13 beds	Jan 13
Projects nearing completion		
Northpark	Consulting Suites	Feb 13
Sunnybank	Maternity Refurbishment	Feb 13
Brisbane Private	Ward Refurbishment	Feb 13
Vic Rehab Centre	30 beds	Apr 13
Knox	Maternity Refurbishment	Apr 13
Victoria Clinic	12 beds	Apr 13

- Other large projects previously completed such as Norwest, Knox, Prince of Wales performing strongly
- Strong pipeline of projects – FY14 and FY15

Australian Pathology (including Medical Centres) 1H13 performance

	1H13	1H12 Movement	
	\$'000	\$'000	%
Revenue	183.7	181.5	1.2%
EBITDA	5.0	12.3	-59.4%
<i>EBITDA margin %</i>	<i>2.7%</i>	<i>6.8%</i>	<i>-410bp</i>

- Excluding impact of divested WA business, revenue growth was 4.3%
- Victoria and South Australia showing signs of margin improvement in Q2
- Results impacted by disruption associated with sale process of NSW, QLD and WA
- Restructure of NSW business almost complete
 - Focus on providing high quality and profitable service to Sydney and major regional areas
 - Closure of number of collection centres and laboratories, divestment of some small regional areas
- Positive EBITDA impact of significant cost out initiatives emerging at end of period
- Medical centres growth solid but margin impacted by a number of underperforming centres – action plans in place

International Pathology 1H13 performance

	1H13	1H12	Movement
	\$'000	\$'000	%
Revenue	93.7	80.7	16.1%
EBITDA	21.0	18.6	13.0%
EBITDA margin %	22.4%	23.0%	-60bp

- Solid performance from all countries
- **New Zealand: Revenue growth 19.9%, EBITDA growth 15.5%***
 - All regions performed strongly
 - Revenue benefited from Medlab South acquisition and recent contract wins
- **Singapore: Revenue growth 8.8%; EBITDA growth 8.3%***
 - Strong growth in specialist and commercial contract segments
 - Continued economies of scale in central laboratory
- **Malaysia: Revenue growth 2.2%; EBITDA growth 4.7%***
 - Modest revenue growth and solid margin growth

*Based on results in local currency

Conclusion

2H13 key deliverables

- Hospitals
 - Delivering strong organic growth
 - Continued focus on labour efficiencies and procurement initiatives
 - Secure DAs for key projects
- Australian Pathology and Medical Centres
 - EBITDA growth in NSW and QLD pathology businesses following restructures
 - Growth and efficiencies in Victoria, South Australia and NT pathology
 - Execute specific action plans for underperforming medical centres
- International pathology
 - Organic growth and operating efficiencies

Conclusion

- Strong portfolio of businesses
- Attractive market dynamics and industry growth
- Performance momentum gathering pace in Hospitals (87% of 1H13 EBITDA)
- International Pathology continues to deliver excellent performance
- Australian Pathology in turnaround mode
- Strong growth pipeline

Questions