

UBS Australian Healthcare Conference

Mr Gary Kent
Chief Financial Officer

6 November 2009



Agenda

- ▶ Healthscope Overview
- ▶ Business Model and Strategy
- ▶ Performance FY2009
- ▶ Balance sheet and Capital Management
- ▶ Hospital Infrastructure developments
- ▶ Outlook

Healthscope Overview

- ▶ Operates in a private health sector with solid industry fundamentals
- ▶ An integrated healthcare network to leverage synergies
- ▶ History of strong cash flows and shareholder returns
- ▶ Delivering quality clinical services and financial performance
- ▶ Increased market share and margins in FY2009
- ▶ Committed debt Facilities of \$850m not due to be refinanced until 2011
- ▶ Opportunities to expand through both organic and non organic growth

Healthscope Overview

- ▶ Publicly-listed company on Australian Stock Exchange
 - Formed in 1985 and listed on ASX in 1994
 - Market cap in excess of AUS\$1.4 billion
- ▶ Second largest private hospital operator in Australia with 44 hospitals across every State and Territory in Australia
 - 31 medical / surgical, 6 rehabilitation and 7 psychiatric
- ▶ Third largest private pathology operator in Australia
- ▶ Pathology operations in New Zealand, Malaysia and Singapore
- ▶ Annual revenues of \$1.65 billion
- ▶ Employees – 18,000 worldwide
- ▶ Vertical integration model differentiates Healthscope from competitors



Company structured in three operating divisions

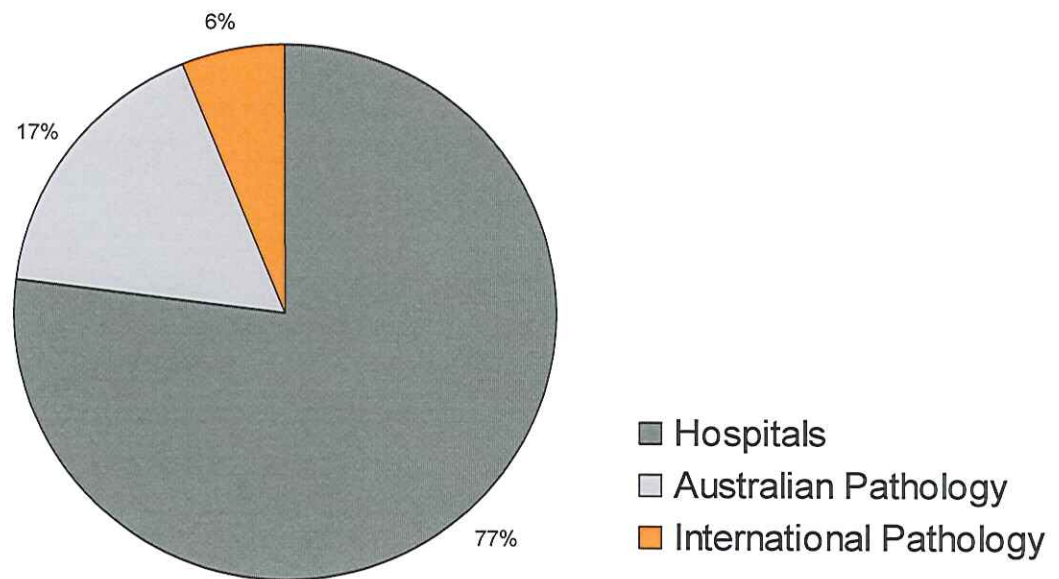
Hospitals

- Major hospitals in every State and Territory throughout Australia

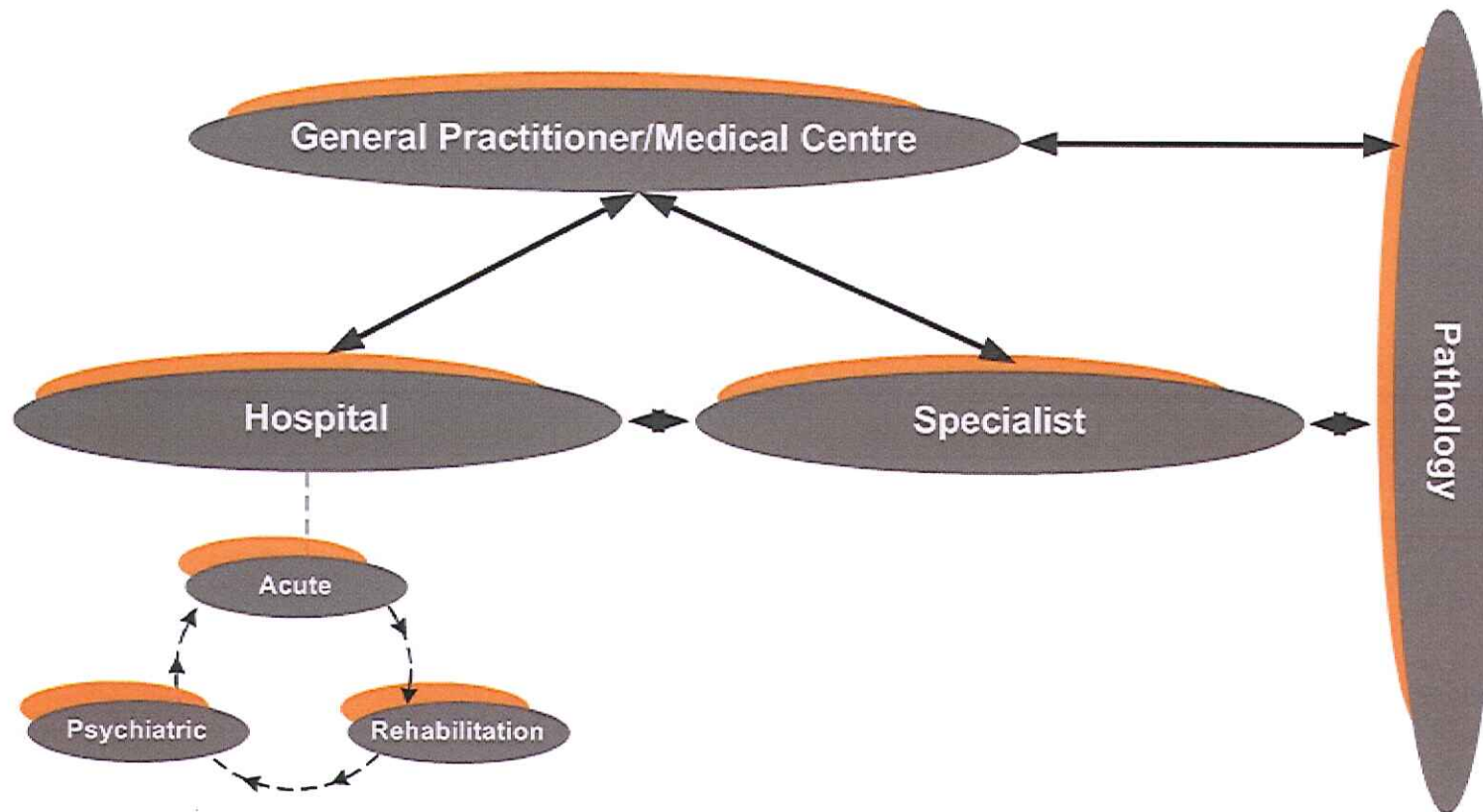
Pathology/Medical Centres

- Laboratories in every State

Off-shore pathology

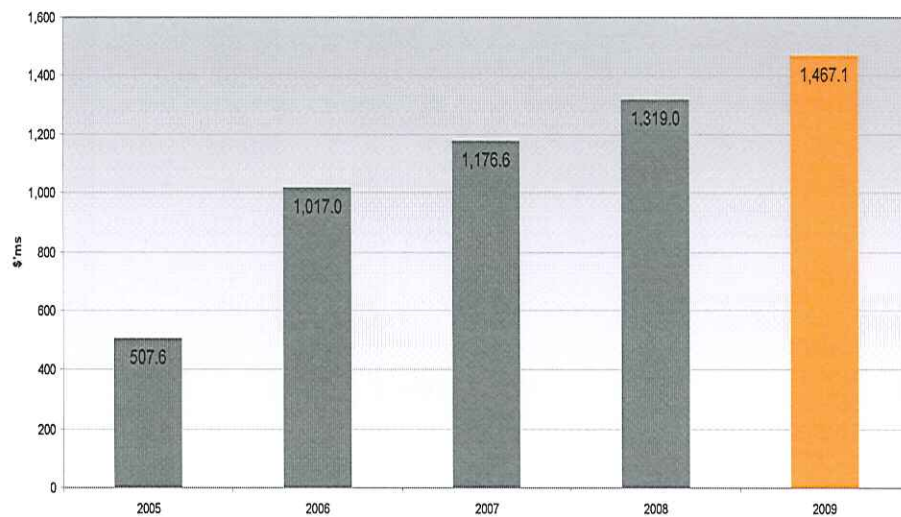


Integrated Healthcare

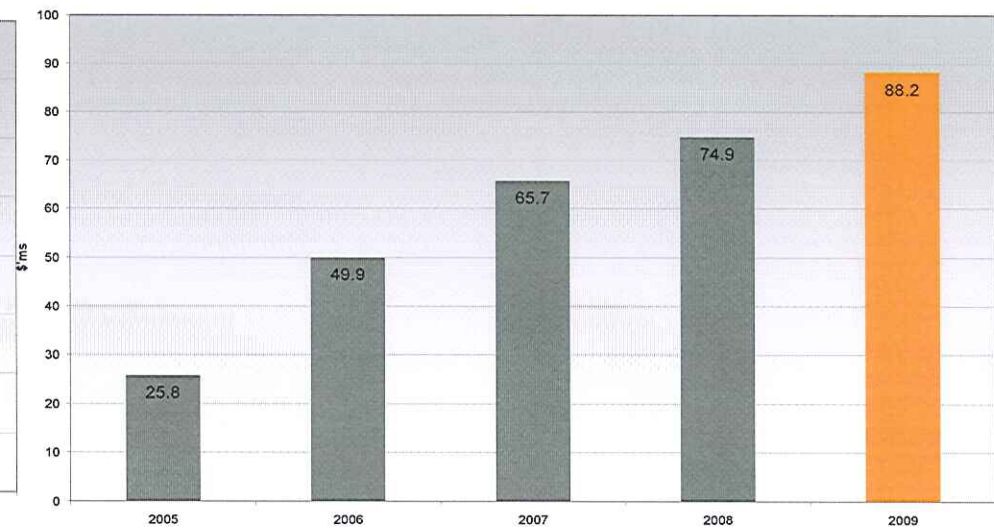


Consistent Revenue & Profitability growth

Revenue (ex-prosthetic) 35% CAGR



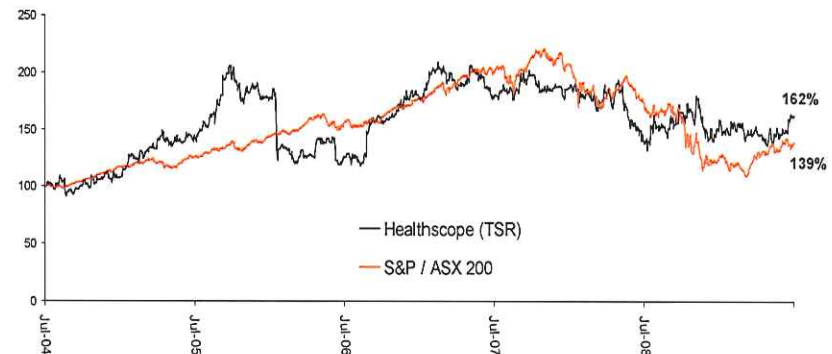
Net Profit After Tax 39% CAGR (before NRI's)



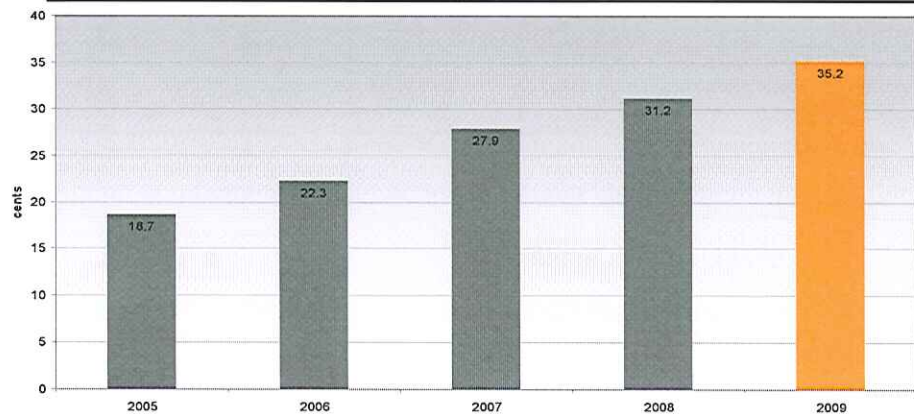
History of strong returns to shareholders

- ▶ Share price outperforming ASX 200
- ▶ Progressive dividend policy maintained, reflective of increases in earnings per share

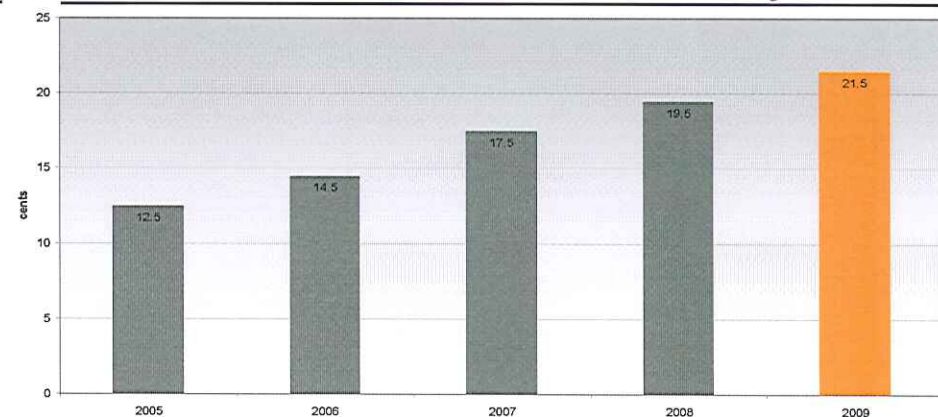
Total Shareholder Return 1 July 2004 to 30 June 2009



Strong Growth in Earnings Per Share – excluding NRI's (Cents)



Dividends Per Share Increased Last 5 years



Australian Private Healthcare Sector

- ▶ Strong and stable industry underpinned by government policy and ageing demographics
- ▶ Hospitals funded by insurers and Pathology funded by Federal government
- ▶ High proportion (44%) of population have private health cover
- ▶ Supported by:
 - Government rebate 30% of premiums
 - Medicare surcharge levy of 1% for those without insurance earning more than \$70,000
 - Lifetime Health Cover
- ▶ Growth rates for revenue forecast to continue in the range of 4-6%
- ▶ High utilisation rates particularly in metropolitan hospitals (56% of all elective surgery is performed in private hospitals)
- ▶ Capacity for incremental margin growth from volume growth

Strategic Direction

▶ Organic growth

- Increasing occupancy and yield
- Improving utilization with day surgery and length of stay
- Improving service to gain share in pathology

▶ Non Organic growth

- Brownfields developments in hospitals
- Expansion of services within integrated network (Eg Imaging)
- Bolt on acquisitions in pathology
- Acquisitions of Medical centres
- Expansion in NZ pathology
- Domestic and Offshore acquisition opportunities

Highlights FY2009

Increased market share driving results

Strong demand underpins the growth in revenue and earnings

Hospitals solid consistent performance leveraging scale and investment in infrastructure

Pathology margins recovered and grew in the second half of the year in Australia

International operations growth of 45% to \$104.6M

Labtests New Zealand commenced operations

Acquisition of ARL, Victoria's 4th largest private pathology provider

Hospital infrastructure developments on track to add 226 additional beds

Capital raising to support expansion of hospitals, recent acquisitions and opportunities for further growth



Financial Results

	FY 2009 \$ millions	FY 2008 \$ millions	Increase on Last year
Revenue	1654.0	1487.0	11.2%
EBITDA	228.3	197.9	15.4%
EBIT	175.0	154.6	13.2%
NPAT (before NRI's)	88.2	74.9	17.8%
Non-recurring items after tax	(15.9)	(10.5)	
NPAT	72.3	64.4	12.3%
EPS (before NRI's)	35.2¢	31.2¢	12.8%
DPS	21.5¢	19.5¢	10.3%

- High quality of earnings with increase in cash flow from operating activities of 21% over the previous year to \$150.5m
- Market share gains and increasing scale have supported improved margins
- Non-recurring items relate to Symbion acquisition costs (break fee) written off \$12.0m and restructure costs \$3.9m



Hospital Performance

An outstanding performance by hospitals

- Revenue growth of 9.2%
 - Strong organic growth across all hospitals
 - No change to underlying growth in hospital admissions despite tough economic climate and regulatory changes
- Margins improved 70 bps
- ACHA management fee higher due to adjustments for capital expenditure
- Campbelltown Private completed on time, Norwest Private opened September and a further 6 hospital expansions will be completed in FY2010

Hospital Performance	FY2009	FY2008	Change
Revenue ¹	1090m	998m	9.2%
EBITDA	178.7m	156.5m	14.2%
EBITDA Margin	16.4%	15.7%	70 bps

¹ Excludes Prosthetics

Pathology Performance

Pathology margins improve

- Australian Pathology revenue like with like growth, approximately 8%
 - Above market growth of 4.8%
- Margins up 30 bps on last year
- Margins increased in Australia in second half year
- International operations revenue of \$104m an increase of 45%

Pathology Performance	FY2009	FY2008	Change
Revenue	\$377.1m	\$318.4m	18.4%
EBITDA	\$61.8m	\$51.2m	20.7%
EBITDA Margin	16.4%	16.1%	30 bps

Operating Cashflow

102% conversion of EBITDA into cash flow

Gross Operating Cash to EBITDA	\$M
Cashflow from Operating Activities	150.5
Add back	
Interest paid	48.5
Income Tax paid	27.7
NRI's cash items	5.6
Gross Operating Cash Flow	232.3
EBITDA (Pre NRI's)	228.3
Ratio of Gross Operating Cash to EBITDA	102%

▶ Operating cashflows - 21% increase on FY2008

▶ Improved processes in admissions to cash

Balance sheet and Debt

Cashflow and structure in place to support growth

	30 June 2009	30 June 2008
Net Debt	\$656.7m	\$597.2m
Gearing	42.0%	41.3%
Interest Cover	3.9 ¹	3.6 ¹
Securitisation	\$95.0m	\$91.1m

- Syndicated debt facilities of \$850m mature in July 2011
- Headroom of \$225m available in undrawn debt facilities at 30 June 2009
- Working capital facility of \$25m was un-drawn at 30 June 2009
- Interest rates fixed on \$395m of debt at 6.9%² to July 2011. The balance at BBSW plus margin.

¹Interest cover is EBITDA/Interest Expense after NRI's

² Total cost of funds 6.9% plus margin

Capital Management

Capital Raising of ~ \$230m completed October

- Fully underwritten placement to institutional investors of \$140m
- Share Purchase Plan raised \$90m

Purpose of Raising

- Fund expansion of hospitals
- Fund recent acquisitions of pathology and medical centres and enable flexibility for pursuing future acquisition opportunities

Capital expenditure FY2010

- Completion of 6 Brownfields projects
- Commence a further 4 Brownfields
- Capex and investments cash outlay of approximately \$300m

Infrastructure Developments Underpinned by Existing Demand

Hospital developments planned have bed and/or operating theatre capacity constraints; many operating at capacity.

Well positioned to take advantage of growing demand and aging population.

Hospitals have excellent clinical reputations.

Doctors already committed to take up increased capacity when available.

The economics of incremental expansions are compelling.

Project Status - Summary

	CAPITAL \$M	BEDS	THEATRES	ESTIMATED COMPLETION DATE
COMPLETED				
Campbelltown	25	60	2	MAY 2009
IN CONSTRUCTION				
The Melbourne Clinic*	20	48		NOV 2009
Vic Rehabilitation Centre	8	30		NOV 2009
Brisbane Stage 1 & 2	14	20	3	FEB 2010
Knox Stage 1*	35	66	2	NOV 2010
Allamanda Stage 1	9		2	FEB 2010
The Hills (conversion)	10	62		NOV 2009
DEVELOPMENT APPROVAL PHASE				
Northpark*	35	41	3	TBC
Newcastle*	TBC	58	2	TBC
Brisbane Stage 3*	TBC	30		TBC
Knox Stage 2	9		2	NOV 2010
Nepean	9		2	TBC
Prince of Wales	10		2	TBC
Cotham	4		1	TBC
Geelong	4		1	TBC
SUB TOTAL	192	415	22	
FEASIBILITY PHASE				
Sunnybank*		60	4	TBC
John Fawcner Stage 1				TBC
Lady Davidson		54		TBC

* Includes car park and consulting suites

Other: Pine Rivers, Griffith, Mount



Summary

- Revenue in FY2009 increasing ahead of market growth
- FY2009 results were very good in a difficult environment
- Hospitals expansion plan progressing well with 226 beds to be added by November 2010
- Pathology business well positioned in a changing market
- Capital raising will support acquisitions, hospital expansion and future opportunities
- Performance in line with expectations in Q1 of FY2010
- Successful integration of ARL
- Outlook is positive for increasing market share and improving margins again in FY2010



Healthscope

Questions

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