

## ASX Announcement (ASX: HLS)

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### Healius reports increased core revenues and meets underlying EBIT guidance in a reset year

- Group non-COVID revenue up 6.3% to \$1.6 billion
- Core Pathology revenues recovering and Imaging revenues outpacing market
- Underlying EBIT of \$99 million in line with May 2023 guidance
- Cost reset program completed and 240 bps growth in 2H margin
- Non-cash impairment charge to goodwill of \$349.8 million in 2H
- Bank gearing ratio at 3.48x

	2023 \$M	2023 \$M	2022 \$M	2022 \$M
	REPORTED	UNDERLYING <sup>1</sup>	REPORTED	UNDERLYING <sup>1</sup>
Core revenue	1,623.1	1,623.2	1,525.4	1,526.8
COVID-19 revenue	83.8	83.8	763.5	763.5
Total Revenue <sup>2</sup>	1,706.9	1,707.0	2,288.9	2,290.3
Non-underlying items	(45.1)	-	(23.4)	-
Impairment charges	(388.9)	-	-	-
EBIT	(335.0)	99.0	463.6	487.0
Net Profit/(Loss) After Tax	(367.8)	25.7	307.9	306.6

Healius Limited (Healius) today released results for the financial year ended 30 June 2023, revealing core revenue growth of 6.3 per cent and underlying EBIT of \$99 million, in line with consensus. Comparison to FY 2022 is impacted by the 89% reduction in COVID-19 testing revenue and the flow-on effect on earnings.

Chief Executive Officer and Managing Director Maxine Jaquet said that Healius was now well positioned for growth after a year in which the company had transitioned back to business-as-usual operations, had reset its strategy, leadership team and cost base, and had successfully completed more than half of its extensive digital agenda.

<sup>1</sup> Underlying results are defined as Reported results adjusted for non-underlying items. The Directors believe that presentation of non-IFRS financial information is useful for investors to understand the entity's core results from operations, without the impact of non-underlying items. A reconciliation is set out on page 4 and in Note 2 of the 4E - Preliminary Final Report (Unaudited) for the year ended 30 June 2023.

“We have reset the foundations of our business to put us on a sound footing for a successful future,” Ms Jaquet said. “We are already seeing the benefits in revenue and financial performance in the second half of FY 2023. Pathology non-COVID revenue was up 7.9% and Imaging revenue<sup>2</sup> was up 11.6% on 2H 2022. Our EBIT margins have expanded by 240 basis points in the last six months as we have delivered significant improvements in our cost and productivity ratios.”

### **Divisional performance**

In the Pathology division, as the market emerges from a period of COVID-related dislocation, there are signs of reversion to the long-term growth trend supported by strong underlying demographic drivers. In the short-term, post COVID challenges including GP shortages and lower GP-referrals impacted Healius’ pathology volumes and Healius responded by right-sizing its business in the current market context.

On 1 June 2023 Healius welcomed an experienced Group Executive, Dr Jan van Rooyen, to lead the Pathology business. Jan’s focus will be on improving services to referrers and patients, developing new clinical revenue streams and spearheading a step-change in the cost base through automation and digitisation, in partnership with the Healius team of leading pathologists.

The Lumus Imaging business out-performed the market in FY 2023, growing revenue by 7.3 per cent year-on-year and nearly doubling its EBIT.

In his first six months in the business, Group Executive, Dr Phil Lucas, successfully recruited a number of experienced radiologists and developed a growth strategy focussed on driving greater revenue in large-scale comprehensive community sites by investing in high-end modalities, further enhancing the strong hospital portfolio and expanding Imaging’s clinical services.

With the finalisation of the sale of the Montserrat Day Hospital business in May 2023, Healius has completed its portfolio alignment and is focussed on organic growth and the delivery of critical diagnostics services at scale.

### **Balance sheet**

A non-cash impairment charge of \$349.8 million has been made to goodwill in the Pathology division. This impairment relates primarily to Agilex, lower forecast cashflows post Covid, and an increase in the Weighted Average Cost of Capital.

At 30 June 2023, Healius’ gearing ratio (net debt to underlying EBITDA) was at 3.48 times. This gearing ratio was marginally below the original banking covenant of 3.5 times and below the increase to 4.0 times negotiated with Healius’ banking group for the 30 June 2023 and 31 December 2023 testing dates.

### **Dividend**

The Healius Board has resolved not to pay a final dividend for FY 2023. The intention is to resume dividend payments as soon as practicable on the return of more normal market pathology volumes and improved operating cashflows.

### **Outlook**

Healius is entering FY 2024 with the momentum it achieved in 2H 2023.

Healius expects the Pathology market will trend higher in 2H 2024, while the Imaging market will continue with its current strong growth rates.

Healius management will continue to deliver on cost-out opportunities, in particular through increased automation, digitisation and the use of AI and other technology enablers.

Healius expects its gearing to remain within bank covenants during FY 2024 and, as noted above, remains intent on resuming dividends with the support of more normal volumes and operational cashflows.

Ms Jaquet reflected: “We have achieved a lot in this reset year. Our ambition is to grow margins and profitability as we participate in the market recovery and drive our own initiatives targeted around revenue mix, customer segments and clinical streams with high burdens of disease.

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<sup>2</sup> Gross revenue excluding Lumus Imaging revenues from Healius’ old Medical Centres which are now under third-party ownership.

“We aim to optimise the value of our networks and judiciously manage our available funds to improve return on invested capital. With a high level of expectation in our newly-formed executive team, I am confident we can further strengthen and grow this well-established and clinically-oriented, national diagnostics business.”

**ENDS**

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*For over 30 years Healius has been one of Australia's leading healthcare companies, committed to supporting quality, affordable and accessible healthcare for all Australians. Today, Healius has two core diagnostics businesses, pathology and imaging. Through its unique footprint of centres and its 10,500 employees, Healius provides Australia-wide specialty diagnostic services to consumers and their referring practitioners. Healius is currently exploring opportunities to sell its day hospitals business.*

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