

## ASX Announcement (ASX: HLS)

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### Healium announces 1H24 results, underlying EBIT in line with guidance

- Group BAU revenue up 4.9% to \$847.4 million
- Core Pathology revenue up 3.6% to \$598.3 million
- Agilix Biolabs revenue up 19.5% to \$19.0 million
- Lumus Imaging gross revenue up 3.3% to \$252.8 million or 8.5% excluding Medical Centres, BUPA and closed sites
- Underlying EBITDA of \$159.1 million
- Underlying EBIT of \$15.7 million in line with November 2023 guidance
- Non-cash impairment charge to goodwill of \$603.2 million
- Net debt at 31 December 2023 of \$327.0 million
- Bank gearing ratio 3.17x at 31 December 2023

	1H 2024	1H 2023	1H 2024	1H 2023
	\$M	\$M	\$M	\$M
	UNDERLYING		REPORTED	
BAU revenue	847.3	808.0	847.3	808.0
COVID-19 revenue	1.7	56.1	1.7	56.1
Total Revenue	849.0	864.1	849.0	864.1
Non-underlying items	-	-	(16.1)	(13.5)
Impairment charges	-	-	(603.2)	(39.1)
EBIT	15.7	40.0	(603.6)	(13.2)
NPAT (Reported incl. discontinued operations)	(14.2)	8.1	(635.8)	(28.7)

Healium Limited (Healium) releases its results for the financial half year ended 31 December 2023 (1H24), with BAU revenue growth of 4.9 per cent and underlying EBIT of \$15.7 million, in line with guidance. The comparison to 1H 2023 is impacted by the 97% reduction in Covid testing revenue as the impact of Covid revenue in 1H 2023 is cycled out equating to EBIT of \$24.0 million.

#### Transformation - Pathology Reset Program

In light of softening volume growth and inflationary cost challenges, the company is responding with an accelerated plan to reshape the business, match costs to current volumes and better position the Group for future growth. The program comprises three phases:

1. Support cost optimisation - resizing labour in a post Covid environment, reducing support costs and improving procurement through sourcing opportunities.

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2. New operating model - optimising the size and structure of our laboratory network including regional laboratories and rationalisation of our ACC footprint.
3. H27 Plan – to materially change cost structure through workflow optimisation and digitisation, leveraging AI technology to support clinical decision making.

Chief Executive Officer and Managing Director Maxine Jaquet said that “In the context of margin dislocation, caused by both lower growth and a higher inflation operating environment, Management is focused on delivering a fundamental step-change in the cost structure and the operations of the Pathology business. Not only is this expected to drive productivity and efficiency gains, it is also about repositioning the business for sustainable growth.”

“At the same time, Healius, in conjunction with the Pathology Industry is campaigning for indexation which it has not had for over 24 years, a position that has been exacerbated by numerous fee cuts over the same period. Pathology plays a vital role in the diagnosis and treatment of disease, where 70% of all medical treatment decisions rely on Pathology. The total health budget will only be effectively managed if we have a viable Pathology sector that can detect and treat disease earlier, lowering the disease burden in the community as well as secondary care costs.”

### **Divisional Performance**

In the Pathology division, underlying Pathology volumes improved 4.2% in 1H 2024. Core revenue was up \$20.8 million or 3.6% on pcp, while Covid revenues naturally declined, down 97.0% or \$54.4 million on pcp to \$1.7 million. Healius has a greater exposure to the GP market which declined in attendances by 3.9% for the half year, the ongoing softness impacting pathology referral volumes.

Lumus Imaging’s gross revenue grew 8.5% on pcp excluding the Medical Centres segment, the BUPA immigration contract and closed sites.<sup>1</sup> Revenue from the Medical Centres segment declined 2.3% on pcp and continues to be a drag on overall performance - gross revenues increased 3.3% on pcp. Lumus Imaging expects that its new Northern Private and La Trobe hospital contracts from February 2024 will more than offset the insourcing of the Northern Public hospital contract. Growth in imaging volumes and revenues was supported by indexation of 4.1% and a favourable mix of high value modalities driving higher average fees. The business has continued to successfully recruit experienced radiologists, adding an additional 19 in the six-month period, with a growth strategy focussed on driving greater revenue in large-scale comprehensive community sites by investing in high-end modalities, and enhancing its strong hospital portfolio.

Agilex Biolabs has demonstrated strong growth and performed in line with expectations. Revenue has grown 19.5% to \$19 million while both EBITDA \$4.1 million and EBIT \$2.1 million have more than doubled compared to pcp.

### **Balance Sheet**

In November 2023, Healius completed its fully underwritten accelerated non-renounceable pro-rata entitlement offer and successfully raised \$179.3 million, net of transaction costs. From the proceeds, \$150 million was used to reduce debt. Healius obtained a waiver on its gearing covenant for 31 December 2023 and an increase to 4.0 times for 30 June 2024. The gearing ratio (net debt to underlying EBITDA) was 3.17x as at 31 December 2023.

A non-cash impairment charge of \$603.2 million has been made to goodwill in the Pathology division in the 1H 2024 results. The impairment relates to the near-term lower volumes and cashflows at a point in time as required by accounting standards, along with an increase in the Weighted Average Cost of Capital.

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<sup>1</sup> Imaging is now seeing a rapid return of volumes in the BUPA immigration contract following the reinstatement of screening requirements in November 2023.

This impairment is a direct result of the significant goodwill carried on the balance sheet as part of the Symbion acquisition in 2008.

Balance sheet flexibility is a core focus of the business. Driving growth and earnings in Imaging and resetting the operating model and cost base for Pathology is the immediate priority. The Transformation - Pathology Reset Program is the key to driving this change with line of sight over key initiatives. In conjunction with this strategy, Management and the Board continue to assess and review assets in the current environment to maintain optionality.

### **Outlook**

Following the significant moderation to the momentum experienced in 1Q 2024, Healius has revised its outlook and expectations as indicated in its 21 February 2024 Trading Update.

Healius now expects underlying FY 2024 EBITDA of \$359 million - \$369 million and EBIT of \$70 million - \$80 million based on:

- A significant moderation in Medicare Benefits Paid (ex-Covid) for November 2023 +2.9%, and December 2023 +3.1%
- HLS Q2 2024 core pathology volume growth of 1.9% on pcp

Healius expects its gearing to remain within bank covenants during FY 2024.

### **Webcast**

Healius will hold an analyst and investor briefing today to discuss the results. Webcast details are as follows:

Time: 11:00am (AEDT)

Webcast Link: <https://webcast.openbriefing.com/hls-hyr-2024/>

If you would like to dial in via teleconference or ask a question on the phone, please pre-register using this link: <https://s1.c-conf.com/diamondpass/10036118-a7hgyn.html>

This announcement has been authorised for release by the Board.

**ENDS**

For further information contact:

#### **Analysts and Market**

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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.*