Healthscope Analyst and Investor Briefing FY12 Results and Strategy Update

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September 2012

Agenda

- Introduction
- Progress to date
- FY12 results
- Strategic direction and conclusion
- Questions

Introduction

Introduction

- Nearly two years since Healthscope was acquired by TPG and Carlyle and new management commenced
- Significant progress has been made across the business
- Hospitals, Medical Centres and International Pathology all tracking well
- Australian Pathology has had a challenging period
- FY12 Group EBITDA of $303m, an increase of 7.6%*
    - Hospitals delivered EBITDA growth of 11.4%*
- Solid growth across all divisions except Australian Pathology
- Fundamentals of private healthcare remain strong with favourable underlying demographics

*YOY growth based on: FY12 numbers as per statutory accounts; FY11 are management account numbers in order to provide a full year comparison

Who we are?

Hospitals

- 2nd largest private hospital operator in Australia
- Presence in every state and territory
- Providing acute, psychiatric and rehabilitation services

Healthscope HOSPITALS

Australian Pathology and Medical Centres

Australian Pathology

- A leading pathology provider in Victoria, South Australia and NT
- Smaller positions in QLD, NSW, WA

Medical Centres

- 46 medical centres and 18 skin clinics

Healthscope PATHOLOGY

Healthscope MEDICAL CENTRES

International Pathology

- Largest pathology provider in New Zealand servicing over 50% of the country's population

Labtests

Southern Community Laboratories

- Leading market positions in Singapore and Malaysian pathology markets

gribbles PATHOLOGY TRUSTED INTERNATIONALLY

quest LABORATORIES YOUR PARTNER IN LABORATORY SERVICES

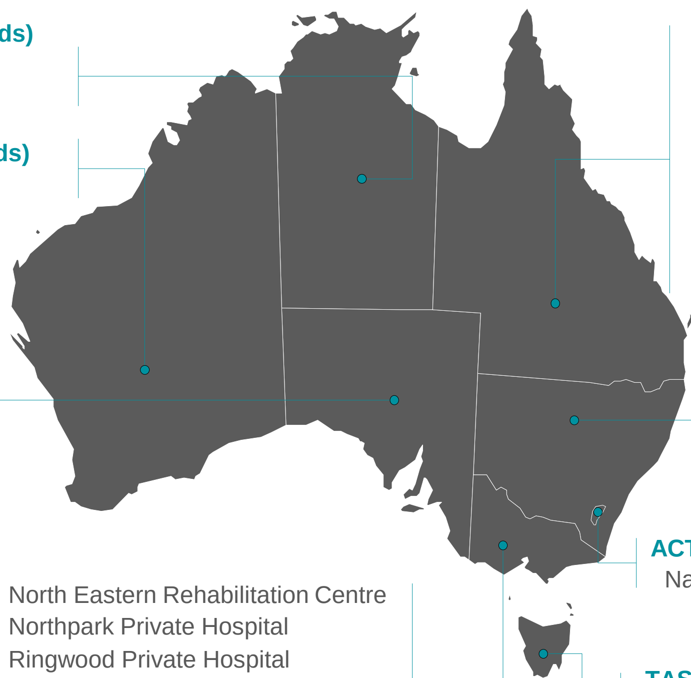
National Network of Hospitals

NORTHERN TERRITORY (~100 beds)
- Darwin Private Hospital
- Independence Services

WESTERN AUSTRALIA (~185 beds)
- Mount Hospital

SOUTH AUSTRALIA (~590 beds)
- Griffith Rehabilitation Hospital
- Parkwynd Private Hospital
- Ashford Hospital (ACHA)
- Flinders Private Hospital (ACHA)
- The Memorial Hospital (ACHA)

VICTORIA (~1,435beds)
- Bellbird Private Hospital
- Como Private Hospital
- Cotham Private Hospital
- Dorset Rehabilitation Centre
- Geelong Private Hospital
- John Fawkner Private Hospital
- Knox Private Hospital
- Melbourne Private Hospital
- North Eastern Rehabilitation Centre
- Northpark Private Hospital
- Ringwood Private Hospital
- The Geelong Clinic
- The Melbourne Clinic
- The Victoria Clinic
- The Victorian Rehabilitation Centre
- Independence Services



QUEENSLAND (~660 beds)
- Allamanda Private Hospital
- Brisbane Private Hospital
- Pacific Private Day Hospital
- Peninsula Private Hospital
- Pine Rivers Private Hospital
- RiverCity Private Hospital
- Sunnybank Private Hospital
- Tweed Day Surgery

NEW SOUTH WALES (~1,245 beds)
- Brisbane Waters Private Hospital
- Campbelltown Private Hospital
- Lady Davidson Private Hospital
- Mosman Private Hospital
- Nepean Private Hospital
- Newcastle Private Hospital
- Norwest Private Hospital
- Prince of Wales Private
- Sydney Southwest Private Hospital
- The Hills Private Hospital
- The Sydney Clinic

ACT (~85 beds)
- National Capital Private Hospital

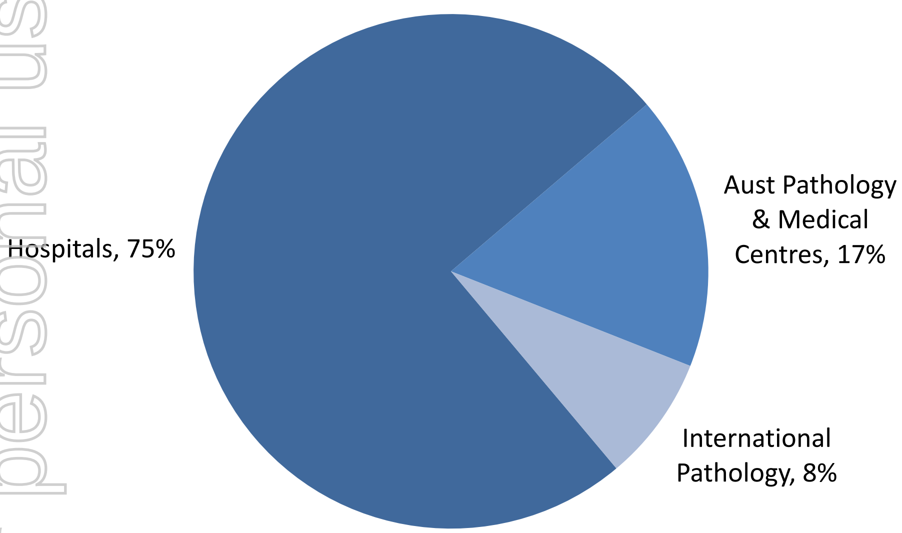
TASMANIA (~170 beds)
- Hobart Private Hospital
- St Helen's Private Hospital

As at September 2012; Bed numbers refer to multi day beds

Number of premium hospitals in each state with strong growth potential

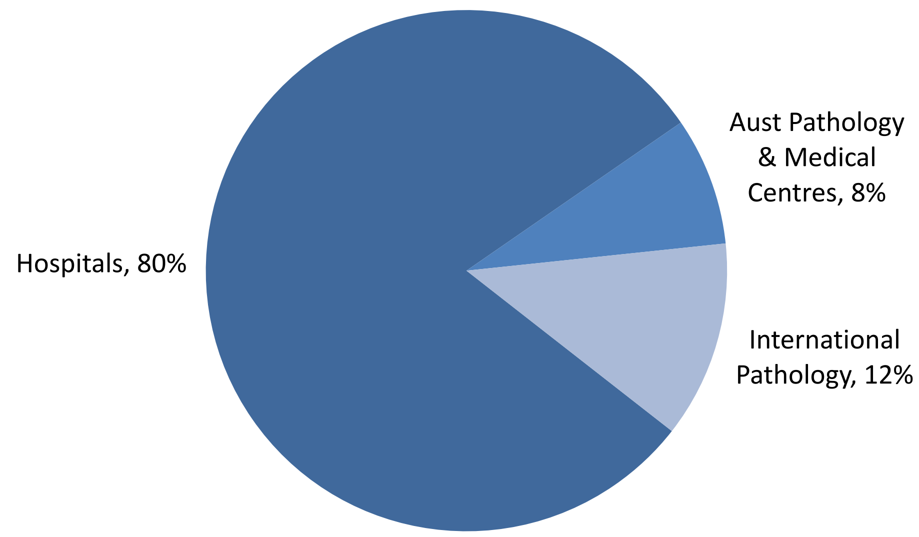
80% of Healthscope's EBITDA comes from Hospitals

Hospitals contribute 75% of revenue



Note: Includes prosthetics revenue

Hospitals contribute 80% of EBITDA



Note: Excludes corporate costs

Industry update - Hospitals

- Fundamentals of private hospitals remain strong with favourable underlying demographics
- Health fund membership continued to increase in June quarter in lead up to introduction of means testing of PHI rebate on 1 July 2012
  - Hospital treatment membership as at 30 June 2012 of 46.8%, up 0.4% from 31 March 2012
- Robust growth in private hospital volumes in FY12, with growth picking up in Q4
  - Per PHIAC data, private patient episodes **in private hospitals** grew 5.0% in FY12
  - Limitations of PHIAC quarterly data: data delays, based on cash not on accrual, no specialty breakdown
- Private patient episodes in public hospitals growing at fast rate putting increased pressure on public hospitals
  - Per PHIAC data grew at 11.4% in FY12

Industry update – Hospitals (cont)

- State Governments showing increased interest in working with private sector to deliver hospital services
  - Examples include Victorian Department of Health tendering $9m of elective waiting list work; new QLD and NSW Governments in discussions with private operators
- Impact of means testing of PHI rebate still to play out, but very limited impact expected in FY13 given large number of members who prepaid policies
- Independent Hospital Pricing Authority announced National Efficient Price (NEP) for 2012-13 for public hospital funding

Industry update – Australian Pathology and Medical Centres

Pathology

- Underlying demand for pathology is in line with long term trend – circa 5%
- Deregulation resulted in change in cost structure for pathology industry
    - Approximately 60% increase in number of collection centres across the industry
- A modest fee cut anticipated in November 2012

Medical Centres

- Positive funding dynamics as Government sees improved primary care as a means of reducing pressure on public hospital system

Industry update – International Pathology

- New Zealand
  - Community pathology funding distributed through 20 District Health Boards (DHBs) with each DHB (except one) tendering for term contracts
  - Healthscope has contracts with 10 DHBs, with remainder held by Sonic Healthcare, Pathology Associates and Abano Healthcare.
- Singapore
  - Favourable economic conditions with increasing population and growing affluence
  - Private specialists and corporate screening segments providing strongest growth
- Malaysia
  - Steady competitive environment – key players are Healthscope, Clinipath, BP Labs and Pathlab
  - Strong growth in foreign worker screening in FY12

Progress to date

What has happened since October 2010

- Group
  - Strengthened and re-invigorated management teams and structure
  - Cultural change
  - Investment in corporate functions to provide increased value
- Hospitals
  - Recruitment of best in class management teams
  - Market leader in quality - successful launch of MyHealthscope website
  - Strengthening of health fund relationships eg. Bupa partnership
  - Cost control
  - Good traction with procurement initiatives
  - Brownfields momentum and pipeline
  - Agreement to build and operate Gold Coast Private Hospital

What has happened since October 2010

- Pathology and Medical Centres
  - Strengthened management team
  - Pathology public contract wins in Victoria
  - Divestment of Tasmania and agreed divestment of NSW/ACT, QLD and WA (subject to regulatory approvals) to enable focus on larger states (VIC and SA)
  - Commenced transformation of medical centre portfolio to larger centres
- International Pathology
  - Operational efficiencies across all businesses
  - Christchurch contract win
  - MedLab South acquisition
  - Strong growth in Malaysia and Singapore

Major brownfield developments recently completed

Hospital	Theatres	Beds	Date operational
Knox	4	66	June 2011
Pine Rivers		20	July 2011
Norwest	1	43	July 2011
Melbourne Clinic		23	Nov 2011
Brisbane Waters		16	Dec 2011
Sunnybank	1		March 2012
Northpark	2	18	March 12
Griffith Rehab		10	June 2012
Brisbane	1		March 2012
Hobart	1		July 2011

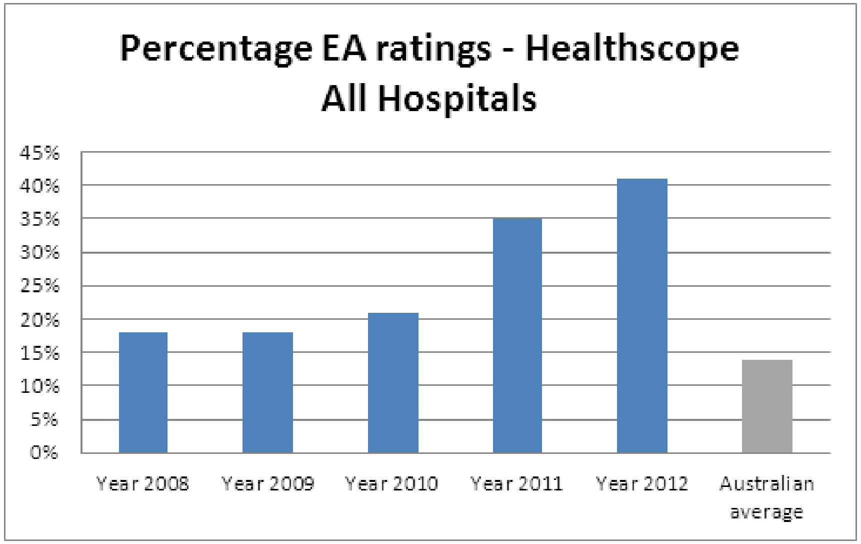
- Significant brownfield projects completed across FY12
- Other large projects previously completed such Norwest, Knox, Prince of Wales performing strongly
- Building capacity for future revenue and margin growth
- Strong pipeline of projects

Corporate update

- Corporate functions providing increased value add
- Decentralised management structure – culture change
- New and experienced teams in key areas – procurement, IT, health funds etc
- Key areas of value add
  - Procurement
  - IT
  - Health funds
  - Training and development
  - Marketing
  - Quality and compliance

Market leading commitment to quality

- Excellent accreditation results – Australian Council on Healthcare Standards
  - Ratings given on 40 standards – Extensive Achievement (EA) seen as aspirational benchmark
  - Healthscope outperforms industry and continues to reach new levels



- MyHealthscope website
  - First Australian private hospital group to publicly disclose quality indicators
  - Very well received by health funds and patients

MyHealthscope website

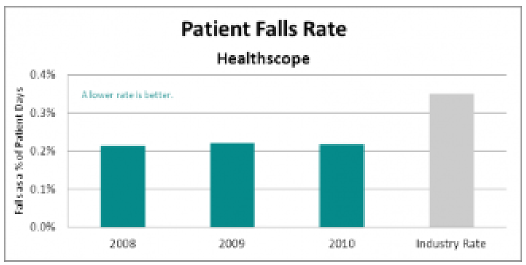
Healthscope | Hospitals | Pathology | Medical Centres | Independence Services | Veterinary Pathology | International

Healthscope HOSPITALS

Home | About Us | Our Hospitals | Our Services | MyHealthscope | Careers Centre | Contact Us

Patient Falls

Patients are often in a weakened or confused state in hospital, and are more susceptible to falling. Falls are a leading cause of hospital-acquired injury, and frequently prolong or complicate hospital stays. At Healthscope hospitals we document and investigate every fall and take action to reduce the number of falls that occur.



This graph shows the number of falls in Healthscope hospitals for the past 3 years, compared with the rate typical in other hospitals from Australia, the UK and the USA. Falls are presented as a percentage of patient days – allowing us to compare Healthscope hospitals with other hospitals of a different size. Patients in Healthscope hospitals on average have a lower rate of falls than those in other hospitals.

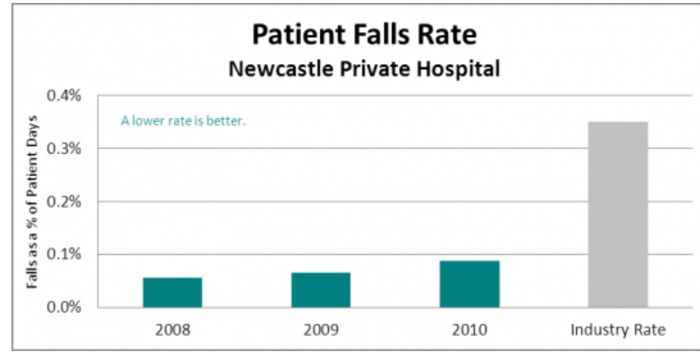
See details on: How we work out our falls rate

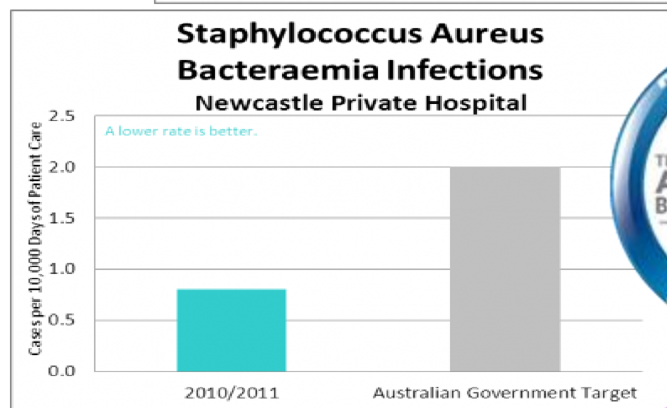
For a discussion on the data, see: Limitations of data

To view data for each Healthscope hospital, see 'Our Hospitals'

What we are doing to further reduce falls

Reducing the risk of patient harm resulting from falls is one of the patient safety goals of the Australian Commission on Safety





FY12 results

Group overview - Statutory

	FY12	FY11	% change
Revenue	2,115,831	1,429,282	48.0%
EBITDA before acquisition and restructure costs	303,046	201,871	50.1%
Depreciation	(84,705)	(54,138)	56.5%
EBIT before acquisition and restructure costs	218,341	147,733	47.8%
Interest	(185,614)	(130,541)	42.2%
Profit / (loss) before tax	32,727	17,192	90.4%
Tax	(6,643)	35,257	-118.8%
NPAT before acquisition and restructure costs	26,084	52,449	-50.3%
Acquisition and restructure costs	(10,592)	(116,255)	-90.9%
NPAT	15,492	(63,806)	-124.3%

Note: Includes prosthetics revenue

- Statutory numbers for FY11 and FY12
  - FY11 only includes results for period 12 October 2010 to 30 June 2011*

* Healthscope Limited, and its controlled entities were acquired by funds advised and managed by The Carlyle Group and TPG Capital on 12 October 2010, hence the trading results of the former Healthscope Limited are included in the comparative from the period 12 October 2010 to 30 June 2011.

Divisional overview

	FY12	FY11	% change
Revenue	2,115,831	2,000,208	5.8%
EBITDA			
Hospitals	252,504	226,640	11.4%
Australian Pathology and Medical Centres	23,371	34,040	-31.3%
International Pathology	38,666	34,101	13.4%
Corporate	(11,495)	(13,165)	-12.7%
Total EBITDA	**303,046**	**281,616**	**7.6%**

Note: Includes prosthetics revenue

- For comparative purposes, divisional numbers are stated on the following basis:
  - FY12: As per statutory accounts
  - FY11: Management account numbers (including prosthetics revenue) in order to provide a full year comparison

Hospitals FY12 performance

	FY12	FY11	% change
Revenue	1,584,206	1,492,239	6.2%
EBITDA	252,504	226,640	11.4%
EBITDA margin	15.9%	15.2%	+70bp

Note: FY12 numbers as per statutory accounts; FY11 are management account numbers in order to provide a full year comparison. Includes prosthetics revenue

- Solid volume growth
- Significant capital invested across facilities
- Majority of recently completed brownfield projects performing in line with expectations, with large sites such as Knox, Norwest and Prince of Wales delivering strong growth
- Operating leverage continues to drive margin growth
- Procurement savings starting to emerge

Australian Pathology and Medical Centres FY12 performance

	FY12	FY11	*% change*
Revenue	364,579	354,406	2.9%
EBITDA	23,371	34,040	(31.3%)
EBITDA margin	6.4%	9.6%	-320bp

Note: FY12 numbers as per statutory accounts; FY11 are management account numbers in order to provide a full year comparison

- Revenue growth below market growth of ~5%
  - Partly due to loss of Allied Health referrals when business was acquired by Sonic
- Significant increase in cost base from the expanded collection centre network led to margin decline
- Number of collection centres has increased from 321 prior to deregulation to 628 today (in FY12 closed over 150 collection centres)
- Medical centres volume growth in line with market and achieved solid year on year growth, with focus on organic growth

International Pathology FY12 performance

	FY12	FY11	% change
Revenue	167,046	153,563	8.8%
EBITDA	38,666	34,101	13.4%
EBITDA margin	23.1%	22.2%	+90bp

Note: FY12 numbers as per statutory accounts; FY11 are management account numbers in order to provide a full year comparison

- All countries recorded strong revenue growth and margin uplift
- **New Zealand: Revenue growth 7.6%, EBITDA growth 11.5%***
  - Canterbury contract win
  - Medlab South acquisition: Nelson Marlborough and South Canterbury regions
- **Singapore: Revenue growth 12.7%; EBITDA growth 13.9%***
  - Improved revenue mix - Strong growth from private specialists market
  - New state of art laboratory delivering operational efficiencies
- **Malaysia: Revenue growth 8.0%; EBITDA growth 17.3%***
  - Private hospitals, corporate contracts and foreign worker screening driving strong revenue growth
  - Standardising equipment across network of laboratories

*Based on results in local currency

Covenants

- As at 30 June 2012, Healthscope continued to meet all of its banking covenants

Key covenants June 2012 quarter

Covenant	Actual Covenant Jun-12	Covenant limit Jun-12 quarter
Senior Gearing Ratio (Debt / EBITDA)	4.38X	< 4.80X
Debt Service Cover Ratio	1.43X	> 1.05X
Interest Cover Ratio (EBITDA / Net Interest Expense)	1.81X	> 1.55X

Strategic Direction and Conclusion

FY13 key deliverables

- Hospitals
  - Delivering strong organic growth
  - Strong contribution from brownfields and further development of new opportunities
  - Labour efficiencies
  - Procurement savings
- Pathology
  - Complete agreed divestment of NSW/ACT, QLD and WA (subject to regulatory approvals) and subsequent cost out
  - Stabilisation then growth of Victoria, South Australia and NT
- Medical Centres
  - Doctor recruitment to maximise returns from existing facilities
  - Leveraging of cost base across increased volumes
- International pathology
  - Organic growth and operating efficiencies
  - Benefits of NZ Medlab South acquisition

Healthscope strategic direction

Hospitals

- Focus on growing and investing
- Deliver on brownfields and strengthen pipeline
- Greenfields (eg. Gold Coast Private Hospital)
- Health fund relationships

Australian Pathology

- Optimising performance of Victoria, South Australia and NT

Medical Centres

- Transition to larger centres with multidisciplinary offering
- Doctor recruitment to fill existing centres

International Pathology

- Continue to realise efficiencies
- Bolt-on acquisitions

Build on market leading reputation for quality and safety
Doctor relationships
Best in class management teams

Conclusion

- Significant progress across the business since October 2010
- FY12 delivered solid results, providing good base leading into FY13
- Right team in place to take the businesses forward
- Hospitals focused on growth and margin uplift
- Australian Pathology focused on restoring stability then growth
- Medical Centres focused on transformation of portfolio
- International Pathology focused on growth and incremental margin uplift
- Portfolio of good businesses with significant upside, operating in attractive sectors

Questions