



OUTCOME OF STRATEGIC REVIEW OF HOSPITAL PROPERTY ASSETS

21 August 2018

Healthscope today announced that the strategic review of its freehold hospital property assets announced on 22 May 2018 has been completed. The review identified an opportunity to realise value from Healthscope's hospital property assets for the benefit of Healthscope shareholders. Consequently, Healthscope proposes to establish a new unlisted property trust which will hold the majority of Healthscope's freehold hospital property assets and lease them back to Healthscope. Healthscope will own a majority interest in the hospital property trust and a new co-investor will be introduced to hold an interest of up to 49% in the trust.

The hospital properties expected to be transferred into the property trust (and leased back to Healthscope) have a book value for land and buildings of approximately \$1.0 billion. The operating businesses at those locations generated approximately 65% of Healthscope's FY18 Hospital Operating EBITDA. It is anticipated that the property trust will receive rental payments from Healthscope of approximately \$80 to \$90 million in the first year.

The proposed transaction is expected to have multiple benefits for Healthscope shareholders including:

- Enhancing shareholder value by realising a material interest in Healthscope's freehold hospital property assets at a time of attractive valuations (well in excess of Healthscope's trading multiple);
- Releasing substantial capital which will be used to return capital to Healthscope shareholders, further strengthen the balance sheet and fund future growth opportunities;
- Reducing Healthscope's ongoing capital needs through the introduction of a co-investor to fund part of Healthscope's future brownfield projects; and
- Retaining control of the property trust through both a majority ownership interest and management rights, thereby preserving Healthscope's operational flexibility and the ability to invest in brownfield projects.

Healthscope's Chairman Paula Dwyer said:

"The Board has carefully considered the alternatives for our freehold hospital property assets, including the benefits and risks of an unlisted property trust. The Board has concluded that implementing the proposed approach will generate attractive value for Healthscope shareholders. Importantly, it will preserve Healthscope's control and management rights over our hospitals, as well as our operating flexibility to continue to deliver on their growth potential."

"The proceeds from the proposed transaction will release capital to shareholders, will further strengthen Healthscope's financial position and will leave the Company better placed to pursue future growth opportunities."

Healthscope will now commence a competitive process to select a preferred co-investor for the property trust. This process is expected to be completed during FY19.

Further enquiries:

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About Healthscope

Healthscope (ticker: HSO) is a leading private healthcare provider with 43 private hospitals in Australia and pathology operations across New Zealand.

In FY18 Healthscope employed over 18,000 people who, together with our 17,500 doctors, provided approximately 12 million episodes of care to patients, ranging from pathology tests to complex surgery.

We place the highest priority on quality clinical outcomes, transparency of reporting and elevating the overall patient experience. Healthscope was the first private hospital operator in Australia to report performance against quality and clinical outcome metrics publicly, just one part of our program to maintain and continually improve our high standards.

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