



HEALTHSCOPE 1HFY19 FINANCIAL RESULTS

14 FEBRUARY 2019

1HFY19 – summary of financial performance

- Statutory results
 - Statutory NPAT up 199% to \$236.6m (1HFY18: \$79.1m), including gain on sale of Asian Pathology of \$166.9m.
 - Statutory NPAT (Continuing operations) down 6.7% to \$66.9m (1HFY18: \$71.7m), including Non-operating expenses (after tax of \$7.7m)
- Continuing operations
 - Group Revenue up 3.0% to \$1,224.6m (1HFY18: \$1,189.4m)
 - Hospitals Revenue up 3.0% to \$1,101.8m (1HFY18: \$1,070.1m)
 - Group Operating EBITDA up 7.7% to \$198.1m (1HFY18: \$183.9m)
 - Hospital Operating EBITDA up 8.8% to \$185.7m (1HFY18: \$170.7m)
 - Group Operating EBIT up 7.1% to \$138.5m (1HFY18: \$129.3m)
 - Group Operating NPAT before non-operating expenses up 3.0% to \$74.6m (1HFY18: \$72.4m)
 - Operating cash flow conversion of 110.2% (1HFY18: 114.0%)
 - EPS down 7.3% to 3.8 cps (1HFY18: 4.1 cps)
 - Interim dividend of 3.5 cps, fully franked (1HFY18: 3.2 cps, unfranked)

Managing Director and CEO commentary

Healthscope Managing Director and Chief Executive Officer, Gordon Ballantyne, said:

“In FY19 Healthscope has returned to earnings growth on the back of decisive actions taken in FY18 to turn around operating performance, reset the business portfolio and align the entire Healthscope team to consistently deliver market leading clinical outcomes and patient care.

“We saw a significant turnaround in Hospitals first half earnings, with EBITDA growth of 8.8% in contrast to a decline of 8.7% in the prior period. We continue to see growth from our brownfield investments and to reap the benefit of operational efficiencies realised across the portfolio.

“At the same time, we launched a number of company-wide initiatives to support our team of over 16,650 staff to get “Back to Bedside”, embedding patient-centred care systems and practices that help staff focus their time to deliver exceptional patient care. Pleasingly in FY19 year to date, 84% of patients gave us the highest possible rating in overall quality of treatment and care.

“Our flagship Northern Beaches Hospital opened in October 2018, on time and on budget.

“Opening such a large facility has been a significant undertaking. In Northern Beaches’ first hundred days we admitted more than 10,300 patients; treated more than 15,600 people in the emergency department; performed more than 3,700 surgical procedures and delivered more than 460 babies.



“We are delighted that since opening almost 650 dedicated staff from Manly and Mona Vale public hospitals sit at the heart of our operational team of almost 1,500 staff at Northern Beaches. The hospital will be a significant employer in the region, and we continue to recruit nursing and clinical staff as the hospital expands services to better care for the needs of the local community in Northern Beaches for years to come.

“We continue to enjoy a strong partnership with the New South Wales Government, the NSW Health Department and the North Sydney Local Health District.

“In addition, we continue to invest in growth, with six hospital development projects completing during the period, and a further five under construction.

“In New Zealand, our Pathology business continued to consolidate its market position following a period of strong growth.”

Segment results (continuing operations only)

| \$m | Hospitals | Change on pcp | NZ Pathology | Change on pcp | Corp | Change on pcp | Group | Change on pcp |
|----------------------------------|-----------|---------------|--------------|---------------|--------|---------------|--------|---------------|
| Revenue | 1,101.8 | 3.0% | 122.8 | 2.9% | | | 1224.6 | 3.0% |
| Operating EBITDA | 185.7 | 8.8% | 29.0 | 0.7% | (16.6) | (6.4)% | 198.1 | 7.7% |
| Operating EBIT | 133.5 | 7.4% | 23.1 | (0.9)% | (18.1) | 1.1% | 138.5 | 7.3% |
| Operating net profit after tax | | | | | | | 74.6 | 3.0% |
| Non-operating expenses after tax | | | | | | | (7.7) | |
| Net profit after tax | | | | | | | 66.9 | (6.7)% |
| Op EBITDA margin | 16.9% | 90bp | 23.6% | (50)bp | | | 16.2% | 80bp |
| Op EBIT margin | 12.1% | 50bp | 18.8% | (70)bp | | | 11.3% | 40bp |

Hospitals

The Hospitals division delivered revenue of \$1,101.8 million, up 3.0%, and Operating EBITDA of \$185.7 million, up 8.8% and in line with FY19 guidance. This growth, in the context of continued challenging market conditions, was underpinned by the disciplined execution of our strategic priorities in FY18. In particular, performance reflects the realisation of operational efficiencies, contributions from completed hospital developments, and the closures of loss-making operations.

Ongoing private hospital market pressures and variability in patient case mix continued to impact growth and margins. However, Operating EBITDA improved in all regions and our Victorian / Tasmanian portfolio benefited from renewed leadership.

Our landmark Northern Beaches Hospital (NBH) opened in October 2018, on time and on budget. As anticipated, the start-up of such a large and complex hospital was challenging. However, the team has worked tirelessly to address those challenges and the operations of NBH continue to make good progress.

New Zealand Pathology

New Zealand Pathology delivered revenue of \$122.8 million, up 2.9% and Operating EBITDA of \$29.0 million, up 0.7%. During the period Healthscope also extended its contracts with the Auckland and Southern and Nelson Marlborough District Health Boards. In local currency terms, revenue growth was 1.8% and EBITDA was flat.

For personal use only



Capital expenditure and depreciation

The Group invested \$188.9 million (1HFY18: \$204.2 million) in growth projects during the period, of which \$80.5 million related to the NBH development. A further five hospital expansion projects are currently under construction.

1HFY19 depreciation and amortisation expense from continuing operations was \$59.6 million (1HFY18: \$54.6 million) reflecting the impact of hospital expansion projects completed in FY17 and FY18. FY19 depreciation and amortisation is expected to be approximately \$124 million.

Cash flow and balance sheet

Operating cash flow was \$218.4 million (1HFY18: \$209.7 million) representing a strong Operating EBITDA to Operating cash flow conversion ratio of 110.2%.

Net debt decreased by \$576.6 million over the period to \$1,210.3 million (30 June 2018: \$1,790.0 million), primarily as a result of the receipt of the NSW Government Capital Payment relating to the construction of the Northern Beaches Hospital. As at 31 December 2018, the Group's total gearing ratio was reduced to 3.02 times Net Debt to Group Operating EBITDA (30 June 2018: 4.52 times).

The hospital expansion program has continued to be funded through a combination of cash reserves, operating cash flow and available debt facilities.

Net interest expense increased to \$31.6 million (F1HY18: \$25.9 million).

Interim dividend

Healthscope has announced an interim dividend of 3.5 cents per share, fully franked (1HFY18: 3.2 cents per share, unfranked). The Dividend Reinvestment Plan will not operate for the interim dividend.

Key dates in relation to the interim dividend are listed below.

| | |
|------------------------|---------------|
| Ex-dividend date: | 4 March 2019 |
| Record date: | 5 March 2019 |
| Dividend payment date: | 26 March 2019 |

FY19 outlook

Subject to there being no material change to the external market conditions and barring unforeseen circumstances, Healthscope continues to target FY19 Hospital Operating EBITDA growth of at least 10% compared with FY18.



Further enquiries:

Investors

David Shirer
General Manager Investor Relations
Phone: +61 3 9926 7766 / +61 407 512 521

Natalie Rachele
Manager Investor Relations
Phone: +61 3 9926 7522 / +61 413 685 164

Media

Jared Lynch
Senior Manager Corporate Affairs
Phone: +61 428 359 065

Lisa Keenan
Nightingale Communications
Phone: +61 409 150 771

About Healthscope

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

Healthscope has a team of over 16,650 people and 17,500 Accredited Medical Practitioners, providing 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.

Appendix 1: Reconciliation of Statutory net profit to Operating EBIT and Operating EBITDA

| | 1HFY19 (\$m) | 1HFY18 (\$m) |
|--|-----------------|-----------------|
| Net profit after tax (Statutory NPAT) | 236.6 | 79.1 |
| <i>Less</i> | | |
| Discontinued operations | (169.7) | (7.4) |
| Statutory net profit after tax from continuing operations | 66.9 | 71.7 |
| <i>Add back</i> | | |
| Non-operating expenses after tax | 7.7 | 0.7 |
| Operating NPAT (Operating net profit after tax) | 74.6 | 72.4 |
| Income tax expense | 32.3 | 31.0 |
| Net finance costs | 31.6 | 25.9 |
| Operating EBIT (Operating earnings before finance costs and income tax) | 138.5 | 129.3 |
| <i>Add back</i> | | |
| Depreciation and amortisation | 59.6 | 54.6 |
| Operating EBITDA (Operating earnings before finance costs, income tax, depreciation and amortisation) | 198.1 | 183.9 |

For personal use only



Appendix 2 - Discontinued Operations - Asian Pathology and Medical Centres

The Company signed an agreement on 30 July 2018 to sell its pathology operations in Singapore, Malaysia and Vietnam for \$279 million (on a cash-free, debt free basis, subject to standard completion adjustments) to entities controlled by funds which are managed by TPG Capital Asia. This transaction completed on 17 August 2018. Healthscope recognised a gain on sale of \$166.9 million (before tax) in 1HFY19.

Results for these operations, along with 3 months of residual trading for the Group's Medical Centres in 1H18 (sale completed on 30 September 2017), have been classified as discontinued operations. Please refer to Note 4 in the Healthscope Half-Year Financial Report for the period ended 31 December 2018 for more detail.

The Asian Pathology businesses contributed revenue of \$10.4 million (1HFY18: \$32.7 million) and Operating EBITDA of \$4.1 million (1HFY18: \$9.6 million) during 1HFY19.

For personal use only