



FY19 half year results

For the six months ended 31 December 2018
14 February 2019

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& Chief Executive Officer

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Chief Financial Officer

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1HFY19 – returned to earnings growth

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<p>Statutory Profit</p>	<ul style="list-style-type: none"> • Statutory NPAT up 199.1% to \$236.6m, including gain on sale of Asian Pathology of \$166.9m • Statutory NPAT (Continuing operations) down 6.7% to \$66.9m, including Non-operating expenses (after tax of \$7.7m)
<p>Hospital Operating EBITDA of \$185.7m</p>	<ul style="list-style-type: none"> • Earnings in line with expectations • EBITDA up 8.8%, reflecting benefits from the achievement of greater operational efficiencies, new hospital developments and the closure of loss making hospitals during FY18
<p>NZ Pathology</p>	<ul style="list-style-type: none"> • Modest growth, Revenue - up 2.9% and EBITDA up 0.7% • Completed contract extensions for Auckland and Southern and Nelson Marlborough DHB's
<p>Landmark Northern Beaches Hospital (NBH)</p>	<ul style="list-style-type: none"> • Opened on time and budget on 30 October 2018 • In the first 100 days NBH admitted more than 10,300 patients; treated more than 15,600 people in the ED; performed more than 3,700 surgical procedures and delivered more than 460 babies
<p>Major hospital expansion projects</p>	<ul style="list-style-type: none"> • Completed projects in 1HFY19 have added 486 beds and 28 operating theatres, inclusive of NBH • Projects under construction will add a further 46 beds and 11 operating theatres
<p>Balance sheet strengthened</p>	<ul style="list-style-type: none"> • Net debt decreased by \$576.6m to \$1,210.3m, primarily as a result of the receipt of the NSW Government Capital Payment relating to the construction of NBH and the receipt of proceeds from the sale of the Asian Pathology operations • As planned, Net debt to EBITDA reduced to 3.02x from 4.52x (30 June 2018)
<p>Dividend</p>	<ul style="list-style-type: none"> • Interim dividend of 3.5 cps, fully franked (1HFY18: 3.2 cps, unfranked)

Group results – continuing operations

Revenue up 3.0%, Operating EBITDA up 7.7%, Operating NPAT up by 3.0%

	1HFY19 (\$m)	1HFY18 (\$m)	Movement
Revenue	1,224.6	1,189.4	3.0%
Operating EBITDA¹	198.1	183.9	7.7%
Depreciation and amortisation	(59.6)	(54.6)	(9.2)%
Operating EBIT	138.5	129.3	7.1%
Net interest expense	(31.6)	(25.9)	(22.0)%
Operating profit before tax	106.9	103.4	3.4%
Operating net profit after tax	74.6	72.4	3.0%
Non-operating expenses after tax	(7.7)	(0.7)	
Net profit after tax (Statutory NPAT)	66.9	71.7	(6.7)%
Operating EBITDA margin (%)	16.2%	15.4%	80 bp
Operating EBIT margin (%)	11.3%	10.9%	40 bp
Operating cash flow	218.4	209.7	4.1%
Operating cash flow conversion	110.2%	114.0%	

- Benefits of hospitals operating efficiencies supported a return to Operating EBITDA growth through improved margins
- New Zealand Pathology Operating EBIT saw modest growth
- Operating NPAT growth was impacted by an increase in depreciation and amortisation as forecast, driven by the hospital expansion program
- Statutory NPAT impacted by \$7.7m in Non-Operating Expenses (net of tax), including:
 - Northern Beaches Hospital commissioning costs
 - Mosman Private Hospital closure costs
 - Bid assessment costs
- Strong operating cash flow conversion 110.2%
- Tax rate of 30% for 1HFY19 expected to be approximately 29% in FY19 (Continuing operations)

1. "Operating" results represent Statutory results from continuing operations before Non-Operating Expenses – refer Appendix 1



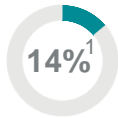
Hospitals

Earnings growth supported by hospital expansions and delivery of operating efficiencies

Segment results	1HFY19 (\$m)	1HFY18 (\$m)	Movement
Revenue	1,101.8	1,070.1	3.0%
Expenses	(916.1)	(899.4)	(1.9)%
Operating EBITDA	185.7	170.7	8.8%
Operating EBIT	133.5	124.2	7.4%
Operating EBITDA margin	16.9%	16.0%	90bp
Operating EBIT margin	12.1%	11.6%	50bp

- Revenue growth of 3.0%, primarily driven by recently completed and maturing hospital development projects
- Operating EBITDA margin improved 90bp driven by delivery of operating efficiencies
- Hospitals Operating EBITDA grew \$15.0m, with VIC/TAS improving \$9.3m on 1HFY18, benefiting from renewed leadership, hospital operating efficiencies, the difficult but necessary decision to close Geelong Private and Cotham Private hospitals and the impairment of Frankston Private Hospital. The performance of the balance of the portfolio was in line with expectations

1. Contribution to Group Operating EBITDA from continuing operations (excluding Corporate)



New Zealand Pathology

Revenue and Operating EBITDA improved

Segment results	1HFY19 (\$m)	1HFY18 (\$m)	Movement
Revenue	122.8	119.3	2.9%
Expenses	(93.8)	(90.5)	(3.6)%
Operating EBITDA	29.0	28.8	0.7%
Operating EBIT	23.1	23.3	(0.9)%
Operating EBITDA margin	23.6%	24.1%	(50)bp
Operating EBIT margin	18.8%	19.5%	(70)bp

- Moderate revenue and EBITDA growth, with revenue growth of 1.8% and flat EBITDA on a local currency basis
- Completed contract extensions for Auckland and Southern and Nelson Marlborough District Health Boards
- Exploring growth opportunities outside of DHB funding contracts leveraging strong relationships and operational teams' expertise

1. Contribution to Group Operating EBITDA from continuing operations (excluding Corporate)

Corporate

Modest increase reflecting investments in capability

Segment results	1HFY19 (\$m)	1HFY18 (\$m)	Movement
Operating EBITDA expense	(16.6)	(15.6)	(6.4)%
Operating EBIT expense	(18.1)	(18.3)	1.1%

- Overall corporate costs were in line with expectations

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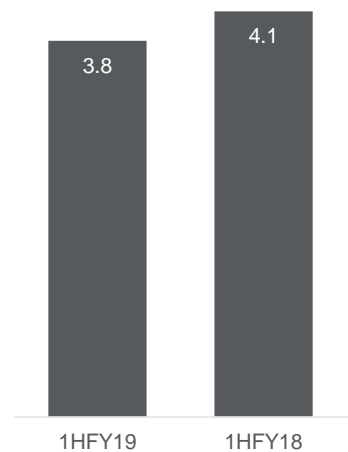
EPS and dividends

Interim dividend of 3.5 cps, fully franked

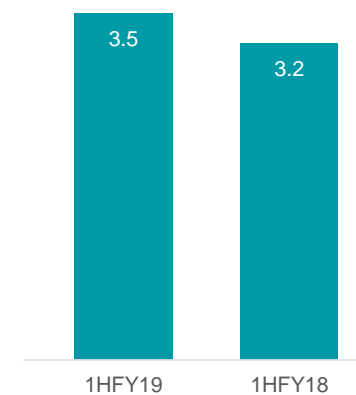
	1HFY19	1HFY18
Statutory NPAT¹ (\$m)	66.9	71.7
EPS ¹ (basic) (cents)	3.8	4.1
Dividend per share (cents)		
Interim	3.5	3.2
Franking	100%	0%
Key dividend dates		
Ex-dividend date	4 March 2019	
Record date	5 March 2019	
Payment date	26 March 2019	

1. Continuing operations

Statutory EPS (cps)



Interim dividend (cps)

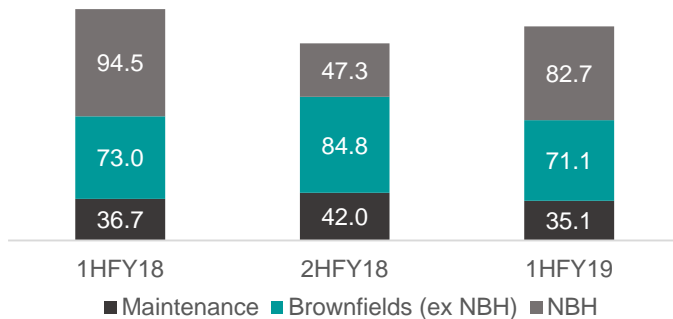


- Dividend represents a payout ratio of approximately 88% of Statutory NPAT after adjusting for non-cash impairments
- Dividend Reinvestment Plan will not operate for the interim dividend

Capital investment

Continued investment in growth capital to develop portfolio

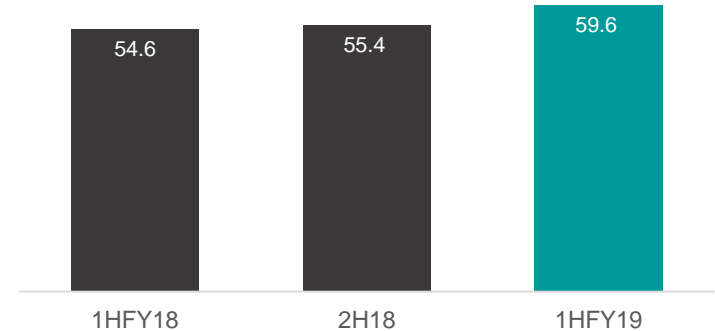
Capital expenditure (\$m)¹



- NBH delivered on time and on budget, opened in October 2018
- Six hospital development projects, including NBH, completed in 1HFY19
- Continued investment across the hospital portfolio to maintain and improve facilities, including targeted investment in state-of-the-art equipment and theatre technology (e.g. robotics)
- FY19 growth capex planned to be \$190 – 200m (inclusive of \$105m relating to NBH)

1. Continuing operations

Depreciation and amortisation (\$m)¹



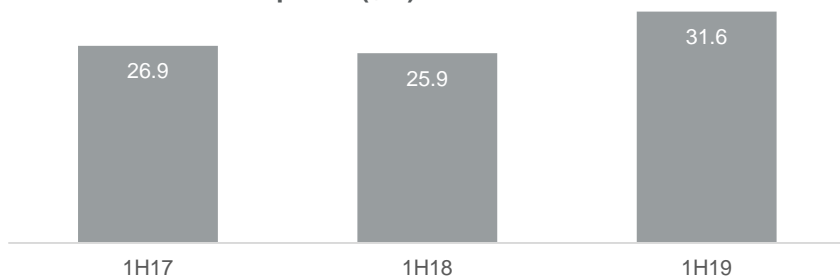
- Depreciation and amortisation increased as forecast, driven by the hospital expansion program
- FY19 depreciation and amortisation planned to be approximately \$124m inclusive of Northern Beaches

Balance sheet and gearing

Balance sheet strengthening continues, reducing net debt to \$1.2b

Funding summary	31 Dec 18 (\$m)	30 Jun 18 (\$m)
Senior debt facilities	915.0	850.0
US private placement ¹	397.3	399.2
Northern Beaches project finance	0.0	690.0
Finance lease liabilities	6.7	7.5
Total debt²	1,319.0	1,946.7
Less Cash	(108.7)	(156.8)
Net debt³	1,210.3	1,789.9
Net debt / net debt + equity	32.0%	43.2%
Net debt / EBITDA (Group)	3.02x	4.52x
Net debt / EBITDA (exc. NBH debt)		2.95x
ICR (EBITDA / net interest exp)	7.12x	7.80x

Net interest expense (\$m)



- Net debt reduced as planned
 - Receipt of NSW Government State Capital Payment
 - Receipt of proceeds from divestment of Asian Pathology operations
- Comfortable headroom under senior debt covenants
- NBH project financing excluded from senior debt covenants (FY18)
- \$415m Senior Debt Facilities classified as current liabilities with maturity date of October 2019
- Should the change in control transaction not complete by 30 June 2019, the Company will complete refinancing of the external debt prior to the maturity date of 31 October 2019
- FY19 Net Interest Expense is expected to be approximately \$58 - 60m
- Undrawn bank facilities of \$235m at 31 December 2018

1. Represents draw down of US\$300 million which has been translated at spot rate and adjusted for the net impact of hedge accounting and the fair value of related cross currency interest rate swap used to hedge
2. Excludes capitalised facility costs
3. Net debt excludes securitization facilities of c.\$128m

Hospitals expansion program – future growth

Construction pipeline^{1,2}

Financial year			FY19		FY20	
	Beds	OTs	1H	2H	1H	2H
Recently completed projects						
Sydney Southwest Private (NSW)	-	2				
Sunnybank Private (QLD)	-	2				
Northern Beaches (NSW)	450	20				
The Geelong Clinic (VIC)	7	-				
The Mount Private (WA)	-	2				
Brisbane Private (QLD)	29	2				
	486	28				
Projects under construction						
John Fawcner Private (VIC)	41	2				
Knox Private (VIC)	(68)	8				
The Melbourne Clinic (VIC)	44	-				
National Capital Private – Stage 2 (ACT)	18	1				
Sydney Southwest Private (NSW)	11	-				
	46³	11				

1. Shaded area in table indicates project construction completion during the relevant period
2. Does not include ACHA funded hospital expansions
3. Net figure

Northern Beaches Hospital

Landmark Northern Beaches Hospital opened on time and budget

NBH overview

- Healthscope contracted by NSW Government to design, build, operate and maintain NBH in 2014
- Licensed as a single private hospital treating public and private patients
- 40 year ground lease for private patient portion; 20 year contract to treat public patients
- Acute services from two existing public hospitals have transferred to NBH – Manly (closed) and Mona Vale (continuing to provide sub-acute services)



Northern Beaches Hospital (250 public / 200 private beds, 20 OTs)

Progress summary

- Hospital completed on time and on budget, with first patients transferred on 30 October 2018
- Opening such a facility has been a significant undertaking
- In the first 100 days
 - more than 10,300 patients admitted
 - more than 15,600 people treated in the ED
 - more than 3,700 surgical procedures performed
 - more than 460 babies delivered



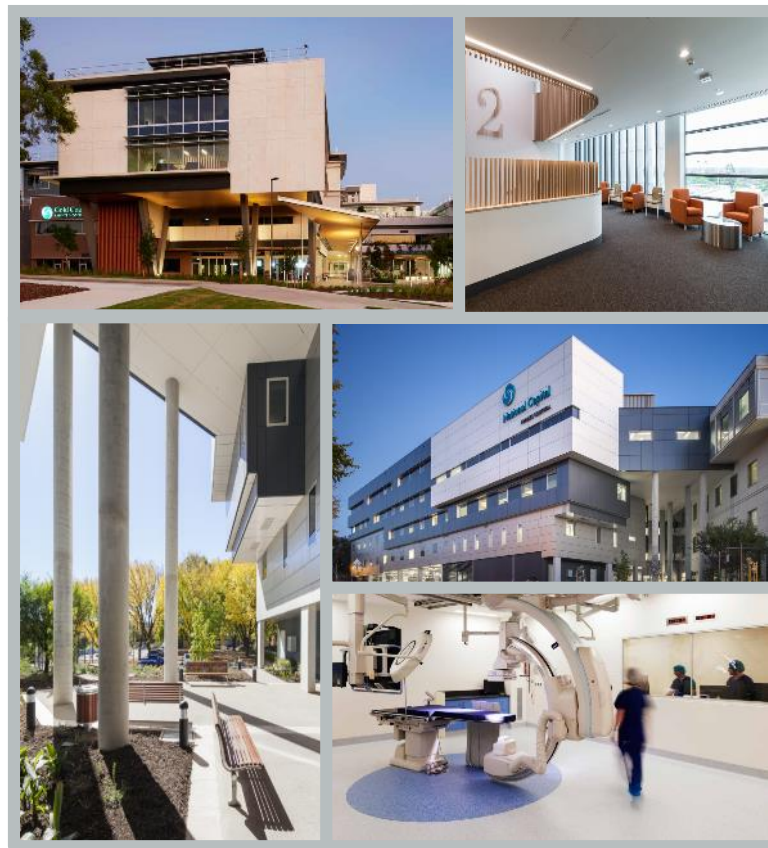
Change of control transaction

Brookfield Implementation Deed

- On 1 February 2019, Healthscope announced that it had entered into an Implementation Deed with Brookfield, under which Brookfield undertake to acquire 100% of Healthscope by way of;
 - a scheme of arrangement representing total value of \$2.50 per share (inclusive of 3.5 cent Interim Dividend) (c.40% premium to the undisturbed closing price of Healthscope shares on 22 October 2018 of \$1.785); and
 - a simultaneous off-market takeover offer representing total value of \$2.40 per share (inclusive of 3.5 cent Interim Dividend)
- The Brookfield Transaction is subject to limited conditions and not subject to financing or due diligence
- The Scheme Consideration represents an acquisition multiple of c.14.7 x EV / EBITDA
- The Healthscope Board unanimously concluded that the Brookfield Transaction is in the best interests of shareholders
- Scheme of Arrangement
 - Total value of \$2.50 (inclusive of 3.5 cent Interim Dividend), with option to receive all cash, subject to all applicable conditions being satisfied or waived, and the Scheme of Arrangement being implemented
 - Subject to approval by at least 75% of Healthscope shareholders who vote on the Scheme
- Off-market takeover
 - Total value of \$2.40 (inclusive of 3.5 cent Interim Dividend), subject to Brookfield achieving acceptances of 50.1% of Healthscope's total issued capital and the Scheme of Arrangement not being successful
- Indicative timetable
 - Explanatory booklet to Healthscope shareholders – April/May 2019
 - Scheme meeting – May/June 2019
- Please refer to the ASX release of 1 February 2019 for additional detail and a copy of the Implementation Deed

Outlook

- Healthscope has returned to earnings growth in FY19 following a year of transition for the Company in FY18
- 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



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

Continuing operations	1HFY19 (\$m)	1HFY18 (\$m)
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

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Appendix 2: Non-operating expenses

Continuing operations	1HFY19 (\$m)	1HFY18 (\$m)
Closure and restructure costs (predominately Mosman Private closure)	2.4	0.4
Loss relating to voluntary administration of supplier	0.0	0.2
Onerous lease and related costs	(1.0)	0.0
Bid Assessment costs	1.0	0.0
Hospital commissioning costs (primarily NBH)	8.6	0.4
Total pre tax	11.0	1.0
Tax	(3.3)	(0.3)
Total post tax	7.7	0.7

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Appendix 3: Weighted average number of shares

	1HFY19	1HFY18
No. of shares	1,740,341,608	1,737,124,964
Performance rights	8,844,692	7,486,363
Total	1,749,186,300	1,744,611,327

- Weighted average number of shares used as basis for determining EPS

Glossary

ACHA	Adelaide Community Healthcare Alliance
Cash flow conversion	Cash flow generated from operations to Operating EBITDA including discontinued operations
Continuing operations	Comprises the Hospitals and New Zealand Pathology operations
DHB	District Health Board (New Zealand)
DRP	Dividend reinvestment plan
ED	Emergency department
EPS	Earnings per share
ICR	Interest coverage ratio
ICU	Intensive care unit
NBH	Northern Beaches Hospital
PCP	Previous corresponding period
Operating	Excludes non-operating expenses
OTs	Operating theatres

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