PRIMARY
HEALTH CARE LIMITED

13 August 2014

PRIMARY HEALTH CARE LIMITED FY2014 RESULT

- **Net Profit After Tax (NPAT) up 8.3% to $162.5 million**
- **Full year dividend up 14.3% to 20.0 cents per share**
- **Medical Centre 2HFY2014 EBITDA up 8.3% on prior corresponding period and 80bps EBITDA margin improvement in year**
- **Company well positioned for future growth via:**
    - **Underlying organic growth**
    - **New medical centre sites roll-out FY2016 and beyond**
    - **New services, including IVF**
    - **Opportunities for backfilling and bolt-on acquisitions**
    - **Outsourcing opportunities in Pathology and Imaging**

Primary Health Care Limited ("Primary"), Australia's leading service provider to medical and allied health professionals, today announced a 8.3% increase in NPAT to $162.5 million for the year ended 30 June 2014 (FY2014). The Primary Board declared a final dividend of 11.0 cents per share (cps), reflecting the continued strength and resilience of the Primary model, and bringing the full year dividend to 20.0 cps, up 14.3% on the prior year.

HIGHLIGHTS

- Solid trading result, revenue up 5.8% to $1.52 billion (2013 $1.44 billion)
- EBITDA up 4.7% to $399.1 million (2013 $381.2 million)
- NPAT up 8.3% to $162.5 million (2013 $150.1 million)
- EPS up 7.7% to 32.2 cents per share (and up 9.7% after excluding the one-off impact of the $3.0 million refinancing charge in November 2013)
- Fully franked full year dividend of 20.0 cps, up 14.3%

Primary's Managing Director, Dr Edmund Bateman, said: *"This result reflects the hard work of the Primary team and our commitment to supporting Australia's leading healthcare practitioners. Primary's scale, our expanding range of capabilities, and our commitment to continued investment in infrastructure and technology, will ensure that we remain well placed to deliver consistent and sustainable growth for our shareholders."*

During FY2014, Primary focused on a strategy of backfilling existing medical centres with General Practitioners (GPs) and other allied health professionals to utilise capacity within the existing Primary footprint. This strategy has been successful as demonstrated by strong 2HFY2014 EBITDA growth and margin improvements in Medical Centres, and will continue in FY2015. In addition there is a renewed focus on identifying new Medical Centre sites for roll-out in growth regions in FY2016 and beyond. Primary currently has eight new large-scale medical centre sites earmarked for development, a material increase of more than 10% on its current 58.

Primary also secured the contract for immigration visa medicals (commenced in August 2014), highlighting the continued potential for Primary's scale model in delivering on outsourcing opportunities. Management continues to observe a trend towards outsourcing across Medical Centres, Pathology, and Imaging and Primary is well placed to tender competitively for opportunities as they arise.

Leveraging Primary's skillset, scale, and footprint, the company was also delighted to successfully launch an IVF practice in Sydney during July 2014, following the recruitment of specialist IVF scientists and doctors. The response to this new service has been particularly strong and Primary will continue to assess opportunities to expand the services it offers to the benefit of the community.

STRONG PERFORMANCE ACROSS ALL MAJOR DIVISIONS

Medical Centres

- EBITDA Margin improvement of 80 bps to 56.8% despite no Medicare fee increase during FY2014 (Medicare fee increase delayed until 1 July 2014)
- EBITDA up 4.4% to $175.8 m (2013 $168.4 m)
- 8.3% 2H2014 EBITDA growth over pcp
- GP acquisition price has decreased 10% on prior year
- GP retention levels in line with expected/historic levels

Dr Bateman said: *"A significant portion of Primary's revenue within our mature, large-scale Medical Centres is now derived from non-GP services and our strategy is to continue to build our capabilities. We continue to backfill existing centres, but are also now turning our attention to the rollout of new centres from FY2016 and the upgrade of existing centres, as we did at Warringah this past year. We are also seeking opportunities to enhance Primary's offering via the addition of new specialist practices such as IVF, and via our continued investment in medical education and training at the Primary Health Care Institute."*

Pathology

- Revenue up 6.1% to $887.4 m (2013 $836.3 m)
- EBITDA up 6.0% to $156.7 m (2013 $147.8 m)
- Collection centre roll-out constrained margin growth in 2HFY2014
- Strong and sustained operating improvement over the past 3 years
- Continued focus on outsourcing opportunities
- Now Australia-wide following entry into underserviced Tasmanian market

Dr Bateman said: *"Our Pathology division has delivered consistent growth in earnings despite net funding cuts. We continue to invest in infrastructure and technology, with an objective to improve the quality, cost, and efficiency of our service. We are encouraged by opportunities to participate in Government outsourcing tenders, with about a third of Australia's pathology volume currently generated by the public sector. As we move into FY2015, we will continue to pursue both acquisitions and organic growth."*

Imaging

- Revenue up 7.7% to $316.1 m (2013 $293.4 m)
- EBITDA up 7.2% to $73.0 m
- Immigration visa outsourcing contract commenced August 2014

- 800 bps EBITDA margin expansion over past 3 years
- Growth to come from improved utilisation of MRI equipment, optimisation of the radiologist model, and continued focus on outsourcing opportunities.

STRONG FINANCIAL POSITION

During 1HFY2014, the company successfully refinanced its bank debt facility out to January 2017 ($625m) and November 2018 ($625m), with pleasing margin improvements.

OUTLOOK

Primary expects EBITDA for FY2015 to be in the range of $410 million to $425 million, resulting in EPS growth of between 5% and 12%. This guidance range necessarily adopts a conservative view given the uncertainty facing the sector under the Federal Government's proposed co-payment initiatives, and any potential short-term flow-on impacts to patient volumes that this uncertainty may bring.

Dr Bateman said: *"As we move into FY2015, we're conscious that there remains considerable uncertainty on the proposed Federal Government co-payment initiatives – which may or may not be legislated. Given this significant uncertainty, Primary will not be providing further commentary on its possible competitive response to such changes. However, it is the strong view of the Board and Management that Primary's model of healthcare delivery will be critical and more necessary in an environment of continued funding pressures.*

"We're proud that Primary's scale, broad range of capabilities, and well-invested infrastructure, continues to support Australia's leading healthcare practitioners in delivering affordable and accessible care to the community."

ENDS

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NOTE: FY2013 Comparatives adjusted for adoption of AASB11 Joint Arrangements at 1 July 2013