

## ASX Announcement (ASX: HLS)

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### Trading Update

Given a further month of trading since its Annual General Meeting (AGM), Healius today updates the market with its results for the four months to October 2022, in comparison to the prior period, as follows:

Unaudited trading results	YTD FY23	YTD FY22	FY23 v FY22	FY23 v FY22
	\$'m	\$'m	Actual %	Normalised <sup>1</sup> %
Pathology BAU	401.5	382.9	4.9%	3.3%
Imaging	144.6	133.1	8.6%	9.9%
Day Hospitals	17.4	16.4	6.0%	7.2%
<b>Revenue BAU</b>	<b>563.5</b>	532.4	5.8%	5.1%
COVID	54.0	370.6	(85.4)%	(85.2)%
<b>Total revenue</b>	<b>617.5</b>	903.0	(31.6)%	(32.0)%
<b>EBITDA</b>	<b>124.3</b>	347.0	(64.2)%	(64.1)%
<i>EBITDA margin</i>	<i>20.1%</i>	<i>38.4%</i>		
	<b>YTD FY23</b>	<b>1H20 (last pre-COVID trading)</b>		
<i>EBITDA margin</i>	<i>20.1%</i>	<i>20.5%</i>		

Further to narrative detailed at its AGM, Healius states:

- **COVID-19 testing** has reduced from 13,000 tests per working day in July to between 3,000-4,000 tests per working day in October and in November to-date, reflecting an industry-wide drop in COVID-19 PCR testing. The company is adjusting its cost base to address this demand shift, with collections now being undertaken in the core facilities and in only four COVID dedicated drive-throughs at its major laboratories.
- **Business-as usual** revenues in Pathology are growing steadily and progressively including in November. Imaging revenues are growing at a faster rate including in November. Healius believes its Imaging revenue growth is above-market, driven by public hospital contract wins and by the investment in a suite of consumer-facing digital services.
- There are well-publicised headwinds currently affecting the economy and the healthcare sector, including:
  - staffing shortages in frontline roles,
  - GP shortages and a decline in GP bulk billing rates, and
  - higher than historical number of tests requested per GP referral after a hiatus in regular testing during COVID-19 outbreaks. This increases coning under the Medicare Benefits Systems<sup>2</sup>.

<sup>1</sup> Growth is normalised for working days and for the Agilix acquisition.

<sup>2</sup> Under the Medicare Benefits System generally only the three highest value tests are reimbursed for GP-referred requests.

- These headwinds are considered temporary rather than structural. Most importantly, the drivers of diagnostic testing remain strong including an ageing population with greater longevity but more complex health issues and, concerning for the health of the Australian population, an extended period without timely diagnosis of diseases. Underpinned by these drivers, reversion of diagnostic services to long-term growth trends is expected to occur in time. As previously stated, Healius expects delivery of the targeted margins in its Sustainable Improvement Program (SIP) to coincide with this reversion to trend and recovery in business-as-usual testing.
- With its margins leveraged to volumes, Healius is addressing the current adjustment period with a dual approach of resetting its costs to meet near-term demand and to deliver a more flexible base, while also continuing to drive revenue growth via selective investment in its footprint and in consumer services. The cost reset initiatives are using the same levers as in SIP, in particular around improved productivity, efficient procurement, and lean laboratory and support operations.

As noted above, the current adjustment period, in particular in the pathology sector, is considered temporary. However, the timing, speed and shape of the expected reversion to long-term growth trends is hard to predict and, given this, Healius has decided to continue to update the market regularly on its trading rather than provide what would necessarily be a broad forecast range.

Importantly, the reversion to trend, the backlog of underdiagnosed illnesses, and a small but likely baseload level of COVID testing in combination will deliver strong growth into the system. Healius is well-positioned to capitalise on that growth. In the meantime, its agenda is the proactive management of the cost base during this transition period, moving at pace with the digital initiatives in the pipeline, and delivery of the Sustainable Improvement Program.

#### **ENDS**

The release of this announcement has been authorised by the Board.

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*For over 30 years Healius has been one of Australia's leading healthcare companies, committed to supporting quality, affordable and accessible healthcare for all Australians. Today, Healius has two core diagnostics businesses, pathology and imaging. Through its unique footprint of centres and its 11,000 employees, Healius provides Australia-wide specialty diagnostic services to consumers and their referring practitioners.*