

## ASX Announcement (ASX: HLS)

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### Healio announces 1H 2023 results

Following the announcement of its interim results Healio today updates the market on its full results for the six months ended 31 December 2022 (1H 2023).

\$M	31 DECEMBER 2022 UNDERLYING <sup>1</sup>	31 DECEMBER 2022 REPORTED
Base revenue	799.7	799.7
COVID-19 revenue	64.4	64.4
EBITDA	176.8	123.6
EBIT	40.0	361.7 (13.2)
NPAT (Reported incl. discontinued operations)	8.1	(28.7)

### Highlights

- Base pathology revenue<sup>2</sup> grew by 1% v 1H 2022. When compared with 1H 2020 (the last pre-COVID period), revenue per ACC grew by 8% with footprint optimisation and growth in commercial revenue.
- Imaging grew revenue<sup>2</sup> by 10% v 1H 2022 in the Hospital and Community channels combined outperforming the market and underpinned by investment in digital and contract wins.
- The drivers of base diagnostic testing remain strong and Healio expects reversion to long-term growth trends over time.
- PCR testing demand dropped nearly \$500 million in the period from historic highs in 1H 2022. Consequently, margins declined mirroring the high margins when COVID volumes rose.
- With a focus on long-term sustainable growth, Healio responded to the market conditions by:
  - removing all COVID Costs other than equipment;
  - adjusting the laboratory staffing to align with current volumes;
  - continuing to pursue sourcing opportunities;
  - undertaking an operating model review to reduce support labour costs; and
  - continuing to selectively invest in frontline, digital and growth initiatives.
- The reset cost base for 1H 2023 represents 1% CAGR on 1H 2020.
- Cash flow conversion<sup>3</sup> rate in excess of 100% was delivered with alignment between operating revenue and cash flow.
- Healio confirmed its bank gearing ratio at 2.98x at 31 December 2022 and expects to remain within its covenants at the end of FY 2023.
- Taking into consideration its short-term gearing levels and cash conservation, the Board has determined not to pay an interim dividend for 1H 2023.

<sup>1</sup> Underlying results exclude the impact of discontinued operations and non-underlying items.

<sup>2</sup> Revenue comparisons are working day adjusted and BAU pathology revenue is normalised for the Agilix acquisition.

<sup>3</sup> Conversion of reported and underlying EBITDA to gross operating cash flow.

Commenting on these results and on her focus on sustainable growth, Chief Executive Officer and Managing Director elect, Maxine Jaquet, stated:

“After an extraordinary trading period, lowering our cost curve has been key at Healius. We will continue to drive efficiencies as we introduce greater levels of automation into every aspect of our business. However, at these volumes we are comfortable that this largely fixed cost base can absorb a substantial increase and we expect to deliver margin expansion from revenue growth.

“Our current priorities are twofold: to leverage every aspect of our existing operations to drive organic growth; and to invest in our services, people, and the insights we offer in existing and new domains to drive sustainable above-market growth.

“In the pathology division, having removed the tail of poorly performing sites we are now selectively expanding our ACC network and we are growing our revenue streams in the Specialist and Commercial sectors. We have initiatives underway to expand our pathology offerings in existing and emerging clinical areas especially in high burden disease groups. As an example, we have just launched a new test in partnership with *IncellDx* to diagnose long COVID, and our partnership with C2N for early detection of Alzheimer’s will be operational next month.

“In the Lumus Imaging division, we have already achieved above-market growth in the period. We have higher-end modality equipment in the pipeline and are focusing on major disease burden areas such as cardiovascular and cancer screening as well as emerging treatments such as in mental health. As AI-enabled decision support becomes mainstream, we are looking at a number of partnership-based solutions.

“Our digital agenda is building a competitive service model for customers and generating operational efficiencies through standardisation and automation. In this period, there has been rapid progress on our customer-facing modules with a new *Referral Hub* and a *Collectors Portal* deployed and an exciting new version of the Results Portal due for release next month. Our internal *Laboratory Portal* has been delivered for two out of the six main departments. An exciting new version of a Results Portal for doctors is due for release next month which also includes over a decade of historical data successfully migrated out from our legacy information systems.

“Our solutions give us the ability to continuously improve the experience for patients and doctors in-house. We see this as a source of differentiation given the extent of unmet service needs in the diagnostics sector and rapidly evolving digital health consumer expectations. Our new laboratory-facing digital solutions are on a nationally standardised platform that is easier to maintain, while the modularity of our systems will enable us to integrate new services in the future such as digital pathology and AI applications.

“With a focus on making the most of our asset base and investing in higher-margin and higher-growth segments, Healius is positioning itself for sustainable long-term growth in the Australian diagnostic market underpinned by strong underlying drivers,” Ms Jaquet concluded.

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 10,000+ employees, Healius provides Australia-wide specialty diagnostic services to consumers and their referring practitioners.