

Healius Limited

Appendix 4D – Half-Year Report

Results for announcement to the market

For the Half-Year ended 31 December 2023

SECTION	PAGE
Results for announcement to the market	4D - 1
Attachment A – 31 December 2023 Interim Financial Report	4D - 2

For personal use only

This half-year report should be read in conjunction with the 30 June 2023 annual financial report of Healius Limited.

Healius Limited

Appendix 4D – Half-Year Report

Attachment A - Interim Financial Report

For the Half-Year ended 31 December 2023

CONTENTS	PAGE
Directors' report	1
Review of operations	3
Auditor's independence declaration	8
Independent auditor's review report	9
Directors' declaration	11
Condensed consolidated statement of profit or loss	12
Condensed consolidated statement of comprehensive income	13
Condensed consolidated statement of financial position	14
Condensed consolidated statement of changes in equity	15
Condensed consolidated cash flow statement	17
Notes to the consolidated financial statements	18

For personal use only

Your Directors present their report on the consolidated entity consisting of Healius Limited and the entities it controlled (referred to as "Healius", "the Company", or "the Group") at the end of, or during, the half-year ended 31 December 2023.

Directors

The Directors of Healius during the half-year ended 31 December 2023 and up to the date of this report were:

- Mr Gordon Davis
- Ms Sally Evans
- Mr John Mattick
- Ms Kate McKenzie
- Ms Maxine Jaquet
- Mr Charlie Taylor
- Ms Jenny Macdonald (resigned on 28 November 2023)
- Dr Michael Stanford (appointed on 1 September 2023)
- Mr Ravi Jeyaraj (appointed on 28 November 2023)

Review of Operations

A Review of Operations of the Group during the half-year ended 31 December 2023, and the results of those operations, can be found on pages 3 to 7 of this Report.

Subsequent events

There has not been any matter or circumstance that has arisen since the end of the half-year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Dividend

In respect of the half-year ended 31 December 2023, no dividends are expected to be paid.

Non-IFRS financial information

The Review of Operations attached to and forming part of this Directors' Report includes a number of non-IFRS financial measures. These non-IFRS financial measures are used internally by management to assess the performance of Healius' business and make decisions on the allocation of resources.

The Directors have included the additional line items EBITDA (earnings before interest, tax, depreciation and amortisation) and EBIT (earnings before interest and tax) within the Financial Report as such presentation is, in the Directors' view, necessary for and relevant to a full understanding of the Group's financial performance.

Rounding off of amounts

Healius is an entity of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016. In accordance with that Corporations Instrument, amounts in the Directors' Report and the half-year financial report are rounded off to the nearest hundred thousand dollars, unless otherwise indicated.

Auditor's independence declaration

The Auditor's Independence Declaration is set out on page 8 and forms part of this report.

Signed in accordance with a resolution of the Directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the Directors



Maxine Jaquet
Managing Director & Chief Executive Officer

Sydney, 27 February 2024

For personal use only

Review of operations

For the half-year ended 31 December 2023

GROUP PERFORMANCE

The Review of Operations includes an analysis and description of Underlying results which are defined as Reported results adjusted for non-underlying items. The Directors believe that presentation of Underlying results (non-IFRS (International Financial Reporting Standards) financial information) is useful for investors to understand the entity's core results from operations. A reconciliation of Underlying to Reported results is set out below and on page 4, and also in Note 2 of this report for the half-year ended 31 December 2023.

	1H 2024	1H 2023	BETTER/(WORSE)
	\$M	\$M	%
BAU revenue	847.3	808.0	4.9%
COVID-19 revenue	1.7	56.1	(97.0%)
Total revenue	849.0	864.1	(1.7%)
EBITDA (Underlying)	159.1	176.8	(10.0%)
D&A	(143.4)	(136.8)	(4.8%)
EBIT (Underlying)	15.7	40.0	(60.8%)
Non-underlying items	(16.1)	(13.5)	(19.3%)
Impairment charges	(603.2)	(39.1)	(1,442.7%)
Transactions with discontinued operations	-	(0.6)	(100.0%)
EBIT (Reported)	(603.6)	(13.2)	(4,472.7%)
Interest	(36.0)	(28.5)	(26.3%)
Tax	9.6	15.8	(39.2%)
Loss from discontinued operations	(5.8)	(2.8)	(107.1%)
NPAT (Reported)	(635.8)	(28.7)	(2,115.3%)

MARKET CONDITIONS

Healius operates within the Australian diagnostics healthcare market, which has experienced an extended period of volatility due to the COVID-19 pandemic. There is recognition that the margin dislocation in the post COVID period caused by low core Pathology growth, and a high inflationary environment, creates an imperative that significant changes are required to both the cost base and the structure of the Pathology operations.

Whilst, COVID-19 PCR testing has declined to negligible levels, the sector continues to observe muted volumes and the changing dynamics of a two-speed market recovery. Core pathology is recovering at a slower rate, where GP shortages, increases in doctor co-payments and general cost of living pressures have led to subdued GP attendances and consequently GP-referred pathology services, in contrast to the relatively strong growth experienced in the specialist market.

Imaging services experienced a faster rate of recovery, with solid funding growth supported by the resumption of indexation and favourable mix towards higher value modalities.

Future growth will be underpinned by strong underlying demand drivers for diagnostics including a growing and ageing population with greater longevity and more complex and chronic health issues.

HEALIUS RESULTS

Group underlying revenue dropped 1.7% between 1H 2024 and 1H 2023, due to the decline in COVID-19 PCR testing as the impact of COVID-19 revenue in 1H 2023 is cycled out. BAU revenue has grown 4.9%.

Healius recorded underlying EBIT of \$15.7 million which was in line with guidance. Earnings and margins for the half-year were impacted by inflationary pressures in the business across labour, consumables and rent cost lines.

For personal use only

Review of operations
For the half-year ended 31 December 2023

Reported EBIT includes items which Healius identified as non-underlying. The reconciliation is as follows:

	1H 2024	1H 2023
	\$M	\$M
Underlying EBIT	15.7	40.0
Digital transformation costs	(12.5)	(8.0)
Transaction costs	(1.4)	(1.7)
Takeover costs	(1.0)	-
Restructuring and other costs	(1.2)	(3.8)
Non-underlying items	(16.1)	(13.5)
Impairment of goodwill	(603.2)	-
Impairment of leased assets	-	(39.1)
Non-cash impairment charges	(603.2)	(39.1)
Transactions with discontinued operations	-	(0.6)
Reported EBIT (loss)	(603.6)	(13.2)

The adjustments between underlying and reported EBIT are as follows:

- Digital transformation costs of \$12.5 million are part of the multi-year digital transformation program.
- \$1.0 million of takeover bid costs are due to the hostile bid launched by ACL Pathology in March 2023.
- \$1.4 million of other transaction costs related to deferred payments for earlier acquisitions.
- Restructuring, termination and other costs of \$1.2 million primarily relate to the consolidation of several group and support functions.
- A non-cash impairment charge of \$603.2 million has been made to goodwill in the Pathology division. This impairment relates to near-term lower volumes and cashflows at a point in time as required by accounting standards, along with an increase in the Weighted Average Cost of Capital (WACC) as borrowing rates increase.

Interest costs of \$36.0 million were 26.3% higher than pcp, primarily due to an increase in average debt levels and higher base interest rates.

Loss from discontinued operations of \$5.8 million primarily relates to warranty claims on divested businesses.

The reconciliation between Reported and Underlying results after tax is as follows:

	1H 2024	1H 2023
	\$M	\$M
Underlying NPAT	(14.2)	8.1
After-tax adjustments to underlying EBIT	(433.5)	(36.8)
Tax differential for non-deductible items	(182.3)	3.3
Loss from discontinued operations	(5.8)	(2.8)
Transactions with discontinued operations - net of tax	-	(0.5)
Reported NPAT including discontinued operations	(635.8)	(28.7)

For personal use only

Review of operations

For the half-year ended 31 December 2023

DIVISIONAL RESULTS

PATHOLOGY (UNDERLYING)

	1H 2024	1H 2023	BETTER/(WORSE)
	\$M	\$M	%
Revenue - Pathology Core	598.3	577.5	3.6%
Revenue - Pathology COVID	1.7	56.1	(97.0%)
Revenue - Agilex	19.0	15.9	19.5%
Revenue - Total	619.0	649.5	(4.7%)
EBITDA	119.4	136.5	(12.5%)
Depreciation and amortisation	(113.3)	(104.5)	(8.4%)
EBIT	6.1	32.0	(80.9%)

PATHOLOGY

Core revenue was up \$20.8 million or 3.6% on pcp, while COVID revenue continues to decline, down \$54.4 million (97.0%) on pcp to \$1.7 million, which is reflective of market growth and Healius' revenue mix given greater exposure to the GP market segment. Ongoing softness in GP attendances (3.9% reduction vs pcp) and pathology referrals as well as higher rates of coned work, have all impacted the rate of recovery to historical trends. Non-covid volumes improved 4.2%. Notwithstanding the subdued rate of recovery, Healius has maintained its market share at ~24% on a rolling 6 and 12-month basis, while growing its active referrer base.

Pathology's COVID cost out and reset programs have offset some of the inflationary pressures in the business, such as labour rate increases. This was further supported by tight cost control, resulting in a reduction in costs across all categories vs pcp, except for depreciation and amortisation which has been impacted by the full year impact of rental costs relating to increases in ACC footprint in FY 2023.

Healius continues to deploy its customer facing digital solutions including Referral Hub, Collectors Portal, and Results Portal. Internally, the Laboratory Information System has been rolled out in two of six main departments and the other four are in progress.

Following a three-year period of low volume growth and strong cost inflation, Pathology has seen significant margin erosion. The private pathology sector is collectively engaged and sees indexation as fundamental to ensuring a sustainable sector and maintaining patient accessibility through high levels of bulk billing.

AGILEX BIOLABS

Agilex Biolabs experienced strong revenue and margin improvement, with revenue for the period up 19.5% to \$19.0 million, EBITDA doubled to \$4.1 million, and EBIT increased from \$0.6 million in pcp to \$2.1 million.

Agilex Biolabs offers a capital-light high-growth profile, revenue diversification away from MBS and complementary capabilities. While growth was initially slower than forecast, current growth levels are encouraging and Healius remains confident in the market fundamentals, strategic rationale for the acquisition, and Agilex's competitive position.

Agilex Biolabs has entered into a commercial agreement with SGS S.A., which will enable both Agilex and SGS to offer a global solution for Bioanalytical Analysis from Research and Development and pre-clinical work, to all 3 phases of in-human trials.

For personal use only

Review of operations

For the half-year ended 31 December 2023

LUMUS IMAGING (UNDERLYING)

	1H 2024	1H 2023	BETTER/(WORSE)
	\$M	\$M	%
Gross revenue ¹	252.8	244.8	3.3%
Statutory revenue	228.3	212.8	7.3%
EBITDA	45.6	46.9	(2.8%)
Depreciation and amortisation	(28.0)	(30.4)	7.9%
EBIT	17.6	16.5	6.7%

Lumus Imaging's gross revenue grew 3.3% on pcp or 8.5% excluding the Medical Centre segment, the BUPA immigration contract and closed sites.² Growth in the Community and Hospital segments was offset by a decline in revenue from the Medical Centres channel which continues to be a drag on overall performance. Going forward, Lumus Imaging expects that its new Northern Private and La Trobe hospital contracts will more than offset the impact of the insourcing of the Northern Public Hospital contract.

Growth in volumes was supported by indexation and a favourable mix of higher-end modalities driving higher average fees. Lumus Imaging's statutory revenue grew 7.3% on pcp aided by the move of more radiologists onto employment contracts.

Lumus Imaging's underlying EBIT was up 6.7% to \$17.6 million in 1H 2024 with 30 bps margin expansion, driven by its strategy of improving revenue per community site, its strong hospital portfolio and the productivity benefits and efficiency gains from digital initiatives.

In 1H 2024, Lumus Imaging:

- recruited 19 radiologists in the period supported by the new employment model,
- developed a greenfield clinic pipeline with 2 clinics expected to open in 2H,
- invested in high margin modalities (3 MRIs and 1 PET),
- continued the roll-out of customer-facing digital tools.

CORPORATE (UNDERLYING)

	1H 2024	1H 2023	BETTER/(WORSE)
	\$M	\$M	%
Revenue	1.9	2.0	(5.0%)
EBITDA	(5.9)	(6.6)	10.6%
Depreciation and amortisation	(2.1)	(1.9)	(10.5%)
EBIT	(8.0)	(8.5)	5.9%

Corporate functions include the management of centralised support services where those functions benefit from scale. In 1H 2024, corporate overheads were further reduced due to continued tight cost control.

¹ Gross revenue is before and Statutory revenue is after deduction for radiologists' share of revenue under AASB15.

² Imaging is seeing a rapid return of volumes on the BUPA contract following the Government's reinstatement of screening requirements in November 2023. The Northern Public Hospital contract was insourced by the Victorian government effective from October 2023. December YTD MBS benefits growth for diagnostic imaging was 8.6%.

CASH FLOW AND GEARING

Group net debt and key ratios on 31 December 2023 were as follows:

REPORTED	31 DECEMBER 2023	30 JUNE 2023
	\$M	\$M
Bank loans and financing arrangements ³	412.7	562.1
Cash	(85.7)	(115.3)
Net debt	327.0	446.8
Bank gearing ratio ⁴	3.17x	3.48x
Bank interest cover ratio (covenant >3.0x) ⁵	3.49x	4.81x

As per Healius' Trading Update on 20 November 2023, the gearing covenant was waived for 1H 2024 and temporarily increased from 3.5x to 4.0x for 30 June 2024 (gearing covenant as at 30 June 2023 was 4.0x). Notwithstanding the above, the Group's gearing of 3.17x was within its original debt covenant of 3.5x.

Group cash flows (including continuing and discontinued operations) for 1H 2024 were as follows:

	1H 2024	1H 2023
	\$M	\$M
Gross cash flows from operating activities	114.4	248.1
Net income tax refund/(paid)	6.5	(78.2)
Net cash flows from operating activities	120.9	169.9
Maintenance capex	(18.2)	(25.0)
Free cash flow	102.7	144.9
Growth capex	(16.1)	(18.0)
Payments relating to acquisitions	(2.1)	-
Proceeds from sale of business	1.0	1.2
Capital recycling, deferred consideration & settlement	2.9	23.0
Net interest paid and finance costs (including on lease liabilities)	(34.5)	(28.2)
Payment of lease liabilities	(112.8)	(105.8)
Dividends, buyback of shares and shares purchased for LTIP	-	(43.2)
Proceeds from issuing shares, net of transaction costs	179.3	-
Net debt (repayment)/funding	(150.0)	25.0
Net decrease in cash held	(29.6)	(1.1)

CAPITAL RAISE

In December 2023, Healius raised \$179.3 million, net of transaction costs, from its accelerated non-renounceable pro-rata entitlement offer, at an issue price of \$1.20 per share. From the proceeds, \$150 million was used to reduce debt levels and reset the balance sheet with appropriate gearing.

³ Bank loans of \$415.0 million (FY 2023: \$565.0 million) are shown net of unamortised borrowing costs.

⁴ Bank gearing ratio is calculated on banking underlying EBITDA of \$104.0million (underlying rolling 12-month EBITDA of \$358.5 million before \$256.4 million for AASB 16, \$0.8 million for AASB 15 / loss on sale of assets and \$1.1 million for share-based payments expense) and banking net debt of \$329.3 million (net debt of \$327.0 million plus unamortised borrowing costs of \$2.3 million).

⁵ Bank interest cover ratio is calculated based on bank underlying EBITDA divided by finance costs (excluding AASB 16 interest).



**Building a better
working world**

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's independence declaration to the directors of Healius Limited

As lead auditor for the review of the half-year financial report of Healius Limited for the half-year ended 31 December 2023, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of Healius Limited and the entities it controlled during the financial period.

Ernst & Young

Katrina Zdrilic
Partner
27 February 2024



Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

**Building a better
working world**

Independent auditor's review report to the members of Healius Limited

Conclusion

We have reviewed the accompanying half-year financial report of Healius Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed consolidated statement of financial position as at 31 December 2023, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



**Building a better
working world**

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'Katrina Zdrilic' in a cursive style.

Katrina Zdrilic
Partner
Sydney
27 February 2024

For personal use only

Directors' declaration
For the half-year ended 31 December 2023

The Directors declare that:

- (a) in the Directors' opinion, the attached financial statements and notes are in accordance with the *Corporations Act 2001*, including section 304 (compliance with Accounting Standards) and section 305 (true and fair view); and
- (b) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors made pursuant to section 303(5) of the *Corporations Act 2001*.

On behalf of the Directors



Maxine Jaquet
Managing Director & Chief Executive Officer

Sydney, 27 February 2024

For personal use only

Condensed consolidated statement of comprehensive income
For the half-year ended 31 December 2023

	Note	CONSOLIDATED	
		31 December 2023 \$M	31 December 2022 \$M
Revenue		849.0	864.1
Employee benefits expense		(452.2)	(440.6)
Property expenses		(28.9)	(28.8)
Consumables		(109.5)	(114.5)
Repairs and maintenance		(16.2)	(15.7)
IT expenses		(25.4)	(23.3)
Insurance		(3.8)	(3.6)
Short-term equipment hire		(0.8)	(2.8)
Other expenses		(53.1)	(58.6)
Depreciation - fixed assets	6	(20.0)	(21.4)
Depreciation - right of use assets	8	(115.2)	(107.5)
Amortisation - intangibles	7	(8.2)	(7.9)
Digital transformation costs	2	(12.5)	(8.0)
Transaction costs	2	(1.4)	(1.7)
Takeover bid costs	2	(1.0)	-
Impairment of leased assets	2	-	(39.1)
Impairment of goodwill	2 & 5	(603.2)	-
Restructuring and termination costs	2	(1.2)	(3.8)
Loss before interest and tax		(603.6)	(13.2)
Net finance costs	3	(36.0)	(28.5)
Loss before tax		(639.6)	(41.7)
Income tax benefit	4	9.6	15.8
Loss for the period from continuing operations		(630.0)	(25.9)
Loss for the period from discontinued operations		(5.8)	(2.8)
Loss for the period attributable to the shareholders of Healius Limited		(635.8)	(28.7)

Loss per share	2023 ¢ per share	2022 ¢ per share
Basic loss per share from continuing and discontinued operations	(107.0)	(5.0)
Diluted loss per share from continuing and discontinued operations	(107.0)	(5.0)
Basic loss per share from continuing operations	(106.0)	(4.5)
Diluted loss per share from continuing operations	(106.0)	(4.5)

Notes to the financial statements are included on pages 18 to 27

Condensed consolidated statement of comprehensive income
For the half-year ended 31 December 2023

	CONSOLIDATED	
	31 December 2023 \$M	31 December 2022 \$M
Loss for the period	(635.8)	(28.7)
Other comprehensive (loss)/income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences arising on translation of foreign operations	(0.1)	0.1
Fair value (loss)/gain on cash flow hedges	(3.0)	0.5
Reclassification adjustments relating to cash flow hedges for amounts recognised in profit or loss	(0.9)	0.7
Income tax relating to items that may be reclassified subsequently to profit and loss	1.2	(0.3)
Other comprehensive (loss)/income for the period, net of income tax	(2.8)	1.0
Total comprehensive loss for the period	(638.6)	(27.7)

For personal use only

Notes to the financial statements are included on pages 18 to 27

Condensed consolidated statement of financial position
As at 31 December 2023

		CONSOLIDATED	
As at	Note	31 December 2023 \$M	30 June 2023 \$M
Current assets			
Cash	14(a)	85.7	115.3
Receivables		178.2	189.5
Consumables		33.5	32.8
Tax assets		17.4	6.7
Total current assets		314.8	344.3
Non-current assets			
Goodwill	5	1,296.5	1,897.5
Property, plant and equipment	6	178.2	176.0
Other intangible assets	7	72.7	73.1
Right of use assets	8	1,067.2	1,067.3
Other financial assets		3.7	7.1
Deferred tax asset		83.7	87.9
Total non-current assets		2,702.0	3,308.9
Total assets		3,016.8	3,653.2
Current liabilities			
Payables		187.8	218.0
Deferred consideration		0.3	0.9
Tax liabilities		1.9	1.9
Provisions		143.7	145.8
Lease liabilities	9	263.2	263.0
Total current liabilities		596.9	629.6
Non-current liabilities			
Provisions		17.4	14.4
Interest bearing liabilities	10	412.7	562.1
Lease liabilities	9	939.5	940.9
Total non-current liabilities		1,369.6	1,517.4
Total liabilities		1,966.5	2,147.0
Net assets		1,050.3	1,506.2
Equity			
Issued capital	12	2,603.9	2,421.0
Reserves		3.7	8.5
Accumulated losses		(1,557.3)	(923.3)
Total equity		1,050.3	1,506.2

Notes to the financial statements are included on pages 18 to 27

Condensed consolidated statement of changes in equity

For the half-year ended 31 December 2023

CONSOLIDATED \$M	NOTE	Issued capital	Share-based payments reserve	Other reserves	Accumulated losses	Total
Balance at 1 July 2023		2,421.0	6.0	2.5	(923.3)	1,506.2
Loss for the period		-	-	-	(635.8)	(635.8)
Fair value loss on cash flow hedges		-	-	(3.0)	-	(3.0)
Reclassification adjustments relating to cash flow hedges recognised in profit or loss		-	-	(0.9)	-	(0.9)
Exchange differences arising on translation of foreign operations		-	-	(0.1)	-	(0.1)
Income tax relating to components of other comprehensive income		-	-	1.2	-	1.2
Total comprehensive loss for the period		-	-	(2.8)	(635.8)	(638.6)
Entitlement offer	12	187.4	-	-	-	187.4
Entitlement offer – fees and transaction costs	12	(8.1)	-	-	-	(8.1)
Entitlement offer – equity tax	12	2.4	-	-	-	2.4
Shares issued via Non-executive Director (NED) Share Plan	12	0.1	-	-	-	0.1
Share based payments		-	0.9	-	-	0.9
Transfers		1.1	(2.9)	-	1.8	-
Balance at 31 December 2023		2,603.9	4.0	(0.3)	(1,557.3)	1,050.3

Notes to the financial statements are included on pages 18 to 27

Condensed consolidated statement of changes in equity

For the half-year ended 31 December 2022

CONSOLIDATED \$M	NOTE	Issued capital	Share-based payments reserve	Other reserves	Accumulated losses	Total
Balance at 1 July 2022		2,422.9	20.8	(0.9)	(521.2)	1,921.6
Loss for the period		-	-	-	(28.7)	(28.7)
Fair value gain on cash flow hedges		-	-	0.5	-	0.5
Reclassification adjustments relating to cash flow hedges recognised in profit or loss		-	-	0.7	-	0.7
Exchange differences arising on translation of foreign operations		-	-	0.1	-	0.1
Income tax relating to components of other comprehensive income		-	-	(0.3)	-	(0.3)
Total comprehensive loss for the period		-	-	1.0	(28.7)	(27.7)
Buy-back of shares	12	(5.2)	-	-	-	(5.2)
Share purchased for Long Term Incentive Plan	12	(3.7)	-	-	-	(3.7)
Shares issued via Non-executive Director (NED) Share Plan		0.2	-	-	-	0.2
Payment of dividends	13	-	-	-	(34.3)	(34.3)
Share based payments		-	(7.6)	-	-	(7.6)
Transfers		6.7	(6.7)	-	-	-
Balance at 31 December 2022		2,420.9	6.5	0.1	(584.2)	1,843.3

Notes to the financial statements are included on pages 18 to 27

Condensed consolidated statement of cashflow
For the half-year ended 31 December 2023

	Note	CONSOLIDATED	
		31 December 2023 \$M	31 December 2022 \$M
Cash flows from operating activities			
Receipts from customers		903.0	1,012.4
Payments to suppliers and employees		(788.6)	(764.3)
Gross cash flows from operating activities		114.4	248.1
Net income tax refund/(payment)		6.5	(78.2)
Net cash provided by operating activities	14 (b)	120.9	169.9
Cash flows from investing activities			
Proceeds from sale of business - net of cash disposed		1.0	1.2
Payments for property, plant and equipment		(25.8)	(35.1)
Payments for other intangibles		(8.5)	(7.9)
Proceeds from sale of property, plant and equipment and intangibles		2.9	26.8
Payment for business acquired – NH Diagnostics		(2.1)	-
Deferred consideration and settlement		-	(3.8)
Net cash used in investing activities		(32.5)	(18.8)
Cash flows from financing activities			
Finance costs paid on interest bearing liabilities		(15.4)	(11.8)
Interest received		0.8	0.5
Interest paid on lease liabilities		(19.8)	(16.9)
Payment of lease liabilities		(112.9)	(105.8)
Payments for buyback of shares		-	(5.2)
Shares purchased for Long Term Incentive Plan		-	(3.7)
(Repayment of)/ net proceeds from borrowings		(150.0)	25.0
Dividends paid	13	-	(34.3)
Proceeds from issuing shares, net of transaction costs		179.3	-
Net cash used in financing activities		(118.0)	(152.2)
Net decrease in cash held		(29.6)	(1.1)
Cash at the beginning of the period		115.3	81.3
Effect of exchange rate movements on cash held in foreign currencies		-	-
Cash at the end of the period	14 (a)	85.7	80.2

For personal use only

Notes to the financial statements are included on pages 18 to 27

1. SIGNIFICANT ACCOUNTING POLICIES

Healius Limited ("Healius") is a for-profit entity domiciled in Australia. These financial statements represent the condensed consolidated financial statements of Healius for the half-year ended 31 December 2023 which comprises Healius and its subsidiaries (together referred to as "the consolidated entity" or "the Group").

Statement of compliance

This half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. This financial report does not include all of the notes normally included within the annual financial report and should be read in conjunction with the 30 June 2023 annual financial report of Healius Limited.

Basis of preparation

This half-year financial report has been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars.

The financial report has been prepared on a going concern basis. Where applicable, prior year comparatives have been restated in line with current year presentation.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's annual report for the financial year ended 30 June 2023. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

New and amended standards adopted

There are no new accounting standards or interpretations that are applicable for the first time in the current financial year which have a material impact on the disclosures or amounts recognised in the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Rounding of amounts

Healius is an entity of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the financial report are rounded off to the nearest hundred thousand dollars, unless otherwise indicated.

2. SEGMENT INFORMATION

Operating segments are identified based on the way that the Chief Executive Officer and Board of Directors (also collectively known as the chief operating decision makers) regularly review and assess the financial performance of the business and determine the allocation of resources. For internal management reporting purposes, the Group is organised into the following three divisions or operating segments:

Operating segment	Activity
Pathology	Provider of pathology services, including speciality pathology and clinical trials.
Imaging	Provider of imaging services from standalone imaging sites, hospitals and medical centres.
Other	Comprises corporate functions.

The Group operates predominantly in Australia.

Intersegment

Cross segment fees are charged for the use of facilities and services. These charges are eliminated on consolidation.

Presentation of segment revenue and results

Segment revenues and segment results are presented on an underlying basis.

Underlying results exclude the impact of impairment expenses and non-underlying items relating to:

- Strategic initiatives; and
- Other significant non-recurring items

2. SEGMENT INFORMATION (CONTINUED)

Underlying results

	Pathology	Imaging	Other	Total
31 December 2023	\$M	\$M	\$M	\$M
Segment Revenue	619.0	228.3	1.9	849.2
Intersegment sales				(0.2)
Total Revenue				849.0
EBITDA ¹	119.4	45.6	(5.9)	159.1
Depreciation - fixed assets	(13.3)	(6.3)	(0.4)	(20.0)
Amortisation - intangibles	(5.4)	(2.2)	(0.6)	(8.2)
Depreciation - right of use assets	(94.6)	(19.5)	(1.1)	(115.2)
EBIT ²	6.1	17.6	(8.0)	15.7

	Pathology	Imaging	Other	Total
31 December 2022	\$M	\$M	\$M	\$M
Segment Revenue	649.5	212.8	2.0	864.3
Intersegment sales				(0.2)
Total Revenue				864.1
EBITDA ¹	136.5	46.9	(6.6)	176.8
Depreciation - fixed assets	(12.7)	(8.4)	(0.3)	(21.4)
Amortisation - intangibles	(4.7)	(2.5)	(0.7)	(7.9)
Depreciation - right of use assets	(87.1)	(19.5)	(0.9)	(107.5)
EBIT ²	32.0	16.5	(8.5)	40.0

1. EBITDA is a non-statutory profit measure representing earnings before interest, tax, depreciation and amortisation.
2. EBIT is a non-statutory profit measure representing earnings before interest and tax.

2. SEGMENT INFORMATION (CONTINUED)

Reconciliation of underlying result to reported loss before tax

	31 December 2023 \$M	31 December 2022 \$M
Segment result from continuing operations before tax	15.7	40.0
Digital transformation costs	(12.5)	(8.0)
Transaction costs	(1.4)	(1.7)
Takeover bid costs	(1.0)	-
Impairment of leased assets	-	(39.1)
Impairment of goodwill	(603.2)	-
Restructuring and termination costs	(1.2)	(3.8)
Transactions with discontinued operations	-	(0.6)
Reported EBIT	(603.6)	(13.2)
Net finance cost	(36.0)	(28.5)
Reported loss before tax	(639.6)	(41.7)

	31 December 2023 \$M	31 December 2022 \$M
3. NET FINANCE COSTS		
Interest expense	15.6	11.8
Interest on lease liabilities	19.8	16.2
Amortisation of borrowing costs	0.6	0.5
Total net finance costs	36.0	28.5

	31 December 2023 \$M	31 December 2022 \$M
4. INCOME TAX BENEFIT		
The prima facie income tax benefit on the pre-tax accounting result reconciles to the income tax benefit in the financial statements as follows:		
Loss before tax	(639.6)	(41.7)
Income tax credit calculated at 30% (2023: 30%)	(191.9)	(12.5)
Tax effect of amounts which are not deductible in calculating taxable income:		
Impairment of goodwill	181.0	-
Share related expense/(benefit)	0.3	(3.4)
Other items	0.3	-
	181.6	(3.4)
Under provision in prior years	0.7	0.1
Income tax benefit	(9.6)	(15.8)

For personal use only

	31 December 2023 \$M
5. GOODWILL	
Opening balance	1,897.5
Acquisition of businesses	2.2
Impairment of Pathology goodwill	(603.2)
Closing balance	1,296.5
Goodwill is allocated to the Group's cash-generating units (CGUs) as follows:	
Pathology	925.0
Imaging	371.5
	1,296.5

The carrying amount of goodwill is tested for impairment annually at 30 June or whenever there is an indicator that the asset may be impaired. Where an asset is deemed to be impaired, it is written down to its recoverable amount.

In its impairment assessment, the Group determines the recoverable amount based on a fair value less costs of disposal calculation, under a five-year discounted cash flow model cross checked to available market data. The five-year discounted cash flow uses:

- year one cash flows derived from the latest forecasts; and
- For years two to five, growth rates have been determined with reference to historical company experience, industry data and a long-term growth rates expected for the industry.

A non-cash impairment charge of \$603.2 million has been made to goodwill in the Pathology division. The impairment relates to the near-term lower volumes and cashflows at a point in time as required by accounting standards, along with an increase in the Weighted Average Cost of Capital.

6. PROPERTY, PLANT AND EQUIPMENT

31 December 2023 \$M	Plant and Equipment	Leasehold Improvements	Assets Under Construction	Total
Net book value				
Opening balance	103.8	63.9	8.3	176.0
Additions	11.7	2.9	12.5	27.1
Capitalisation of assets under construction	1.2	7.4	(8.6)	-
Transfers and disposals	(4.8)	(0.1)	-	(4.9)
Depreciation expense	(13.9)	(6.1)	-	(20.0)
Closing balance	98.0	68.0	12.2	178.2
Cost	342.9	172.3	12.2	527.4
Accumulated depreciation	(244.9)	(104.3)	-	(349.2)
Closing balance	98.0	68.0	12.2	178.2

7. OTHER INTANGIBLE ASSETS

31 December 2023 \$M	IT Software	Licences	Intangibles Under Construction	Total
Net book value				
Opening balance	51.7	7.3	14.1	73.1
Additions	-	-	8.5	8.5
Capitalisation of intangible assets under construction	6.6	-	(6.6)	-
Transfers and disposals	-	-	(0.7)	(0.7)
Amortisation expense	(7.8)	(0.4)	-	(8.2)
Closing balance	50.5	6.9	15.3	72.7
Cost	160.0	40.3	15.3	215.6
Accumulated amortisation	(109.5)	(33.4)	-	(142.9)
Closing balance	50.5	6.9	15.3	72.7

8. RIGHT OF USE ASSETS

	31 December 2023 \$M
Opening balance	1,067.3
New leases and remeasurement of leases during the period	115.1
Depreciation	(115.2)
Closing balance	1,067.2

9. LEASE LIABILITIES

	31 December 2023 \$M
Opening balance	1,203.9
New leases and remeasurement of leases during the period	111.7
Interest	19.8
Payments including interest	(132.7)
Closing balance	1,202.7
Presented as:	
Current lease liabilities	263.2
Non-current lease liabilities	939.5
Total lease liabilities	1,202.7

Notes to the consolidated financial statements
For the half-year ended 31 December 2023

	31 December 2023 \$M	30 June 2023 \$M
10. INTEREST-BEARING LIABILITIES		
Non-current		
Gross bank loans	415.0	565.0
Unamortised borrowing costs	(2.3)	(2.9)
Closing balance	412.7	562.1

The Group had access to the following financing facilities as at the end of the reporting period:

	31 December 2023 \$M	30 June 2023 \$M
Financing facilities		
Non-current		
<i>Unsecured Syndicated Debt Facilities</i>		
Amount used	415.0	565.0
Amount unused	335.0	435.0
Closing balance	750.0	1,000.0

Amounts unused on non-current facilities are able to be drawn during the course of the ordinary working capital cycle of the Group.

	31 December 2023 \$	30 June 2023 \$
11. NET TANGIBLE LIABILITY BACKING		
Net tangible liability backing per share	(0.68)	(0.97)

For personal use only

Notes to the consolidated financial statements
For the half-year ended 31 December 2023

	No. of shares 31 December 2023 000's	No. of shares 30 June 2023 000's	31 December 2023 \$M	30 June 2023 \$M
12. ISSUED CAPITAL				
Opening balance	569,529	569,207	2,421.0	2,422.9
Shares issued via Short Term Incentive Plan	210	228	0.8	0.8
Shares issued via Non-executive Director (NED) Share Plan	26	61	0.1	0.3
Shares issued via Long Term Incentive Plan	155	2,660	0.3	5.9
Own shares acquired for LTIP	-	(976)	-	(3.7)
Own shares acquired during buy back	-	(1,651)	-	(5.2)
Shares issued via Entitlement Offer, net of transaction costs	156,148	-	181.7	-
Closing balance	726,068	569,529	2,603.9	2,421.0

Issued capital consists of fully paid ordinary shares carrying one vote per share and the right to dividends.

Transaction costs that were incurred directly in connection with the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate.

In December 2023, Healius raised \$187.4 million (gross proceeds) pursuant to an accelerated non-renounceable pro rata entitlement offer. The issue price was \$1.20 per share and 156,148,077 shares were issued.

	31 December 2023 Cents per share	31 December 2022 Cents per share	31 December 2023 \$M	31 December 2022 \$M
13. DIVIDENDS ON EQUITY INSTRUMENTS				
Recognised amounts				
Final dividend – previous financial year	-	6.00	-	34.3
Total dividends paid	-	6.00	-	34.3
Unrecognised amounts				
Interim dividend – current financial period	-	-	-	-

No dividends are expected to be paid for the period ended 31 December 2023.

For personal use only

Notes to the consolidated financial statements
For the half-year ended 31 December 2023

	31 December 2023 \$M	31 December 2022 \$M
--	----------------------------	----------------------------

14. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of cash

For the purposes of the cash flow statement, cash includes cash on hand and in banks, net of outstanding bank overdrafts.

Cash at the end of the period as shown in the cash flow statement is reconciled to the related items in the statement of financial position as follows:

Cash as disclosed in the statement of financial position	85.7	76.1
Cash classified as asset held for sale	-	4.1
Total cash	85.7	80.2

(b) Reconciliation of loss from ordinary activities after related income tax to net cash flows from operating activities

Loss attributable to equity holders	(635.8)	(28.7)
Net finance cost	36.0	29.2
Depreciation of plant and equipment	20.0	21.4
Depreciation of right of use assets	115.2	107.5
Impairment of goodwill	603.2	-
Impairment of assets and related items	-	39.1
Amortisation of HCP upfronts in revenue	0.5	1.1
Amortisation of intangibles	8.2	7.9
Share based payments expense	0.9	(7.2)
Gain on derecognition of ROU asset	(2.7)	(3.6)
Gain on sale of fixed assets	(1.0)	(1.0)
Other non-cash items	(1.1)	(0.1)
Increase/(decrease) in liabilities:		
Trade payables and accruals	(26.8)	29.5
Provisions	-	(15.2)
Deferred revenue	(0.8)	0.8
Income taxes and deferred taxes	(2.9)	(95.6)
Decrease/(increase) in assets:		
Receivables and prepayments	8.7	73.5
Consumables	(0.7)	11.3
Net cash provided by operating activities	120.9	169.9

For personal use only

15. DISCONTINUED OPERATIONS

Day Hospital Businesses (Day Hospitals)

The Group sold Day Hospitals on 30 April 2023. The results of the business to 31 December 2022 have been presented in the comparative results from discontinued operations.

16. SUBSEQUENT EVENTS

There has not been any matter or circumstance that has arisen since the end of the period that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

For personal use only