Half Year Results 2025

20 February 2025

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Group overview

Paul Anderson

Chief Executive Officer & Managing Director

Group Results 1H25

Revenue	$933.9m	*$849.0m in pcp (up 10.0%)*
Underlying EBIT	$23.7m	*$15.7m in pcp (up 51.0%)*
Pathology Revenue (ex Agilex)	$641.7m	*$600.0m in pcp (up 7.0%)*
Imaging Gross Revenue	$286.5m	*$252.8m in pcp (up 13.3%)*
Underlying EBITDA	$164.4m	*$159.1m in pcp (up 3.3%)*
Reported EBITDA	$89.1m	*$90.8m in pcp excluding $603.2m impairment*

Financial Performance

Revenue

- Group revenue including Lumus Imaging up 10.0%
- Pathology revenue (ex Agilex) growth of 7.0%
- Agilex revenue flat year-on-year
- Lumus Imaging gross revenue growth of 13.3%

Underlying Results

- Growth in both EBITDA (up 3.3%) and EBIT (up 51.0%)

Net Debt

- Gearing at 3.8x against Net Debt of $345.3m as at 31 December 2024

Underlying results are defined as Reported results adjusted for non-underlying items and includes Lumus Imaging. The Directors believe that presentation of Underlying financial information is useful for investors to understand the entity's core results from operations, without the impact of non-underlying items. For a reconciliation between Underlying and Reported refer Appendix.

Pathology (excluding Agilex)

Financial

- Revenue $641.7m growth of 7.0% on pcp
- EBITDA of $111.2m was 3.6% lower than pcp
- EBIT of $4.1m was 2.3% higher than pcp

Operational

- Consistent trends and growth rates in the Pathology market (including January and February)
- Volume growth on improved GP attendances and referrals. Specialist referrals and revenue a key focus
- Strong growth in Genomic Diagnostics and B2B revenues
- Operating model well established and enabling a unified approach to revenue growth and productivity gains
- Improved customer service with significant reduction in unplanned ACC closures and call abandonment rates
- Labour costs increased in the short term as a consequence of reducing ACC closures
- Steady progress being made in transformation program to increase revenue, improve productivity of our collection centres and laboratory operations, and leverage technology to facilitate more effective and efficient ways of working
- Indexation still lacking – sector-based campaign to Keep Pathology Bulk Billed ongoing

Pathology - operating improvements

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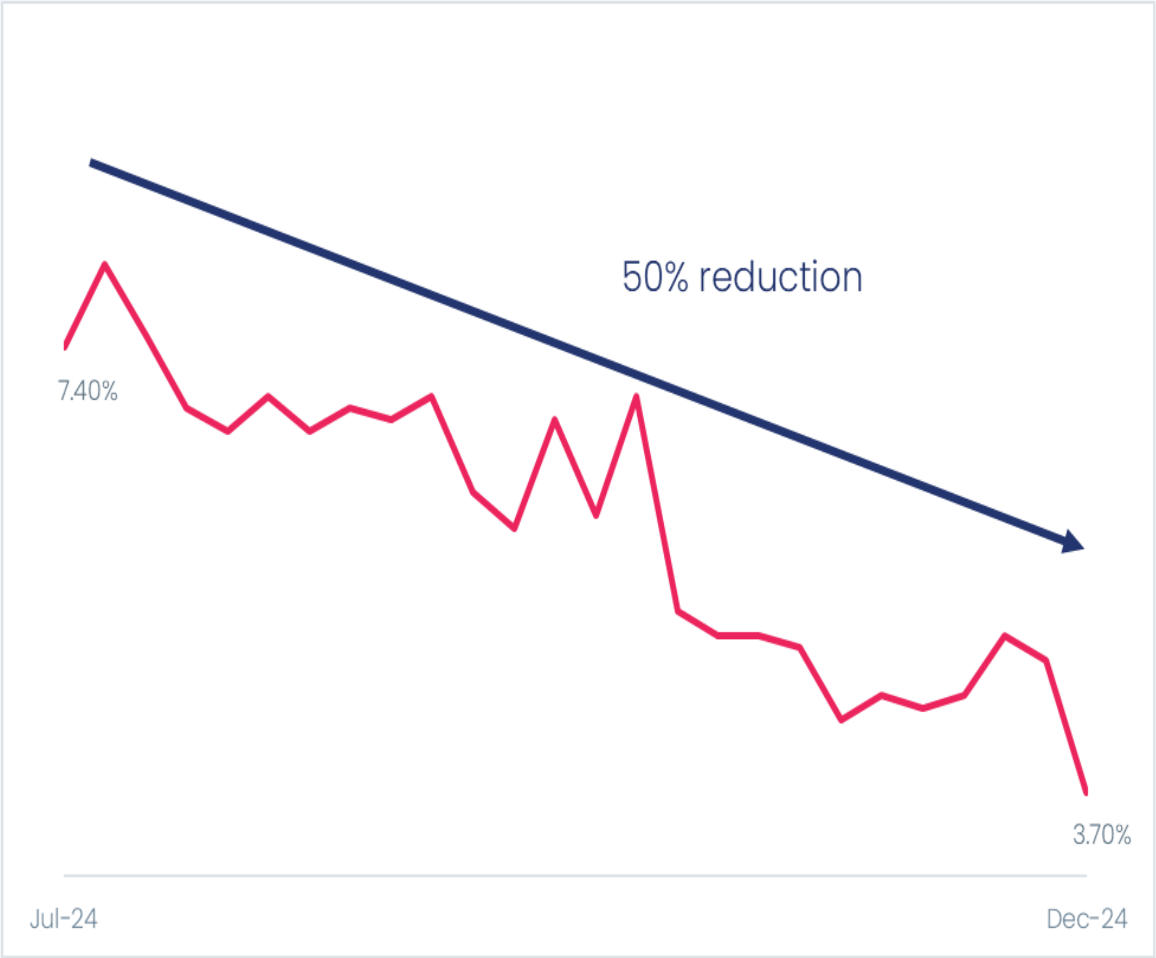
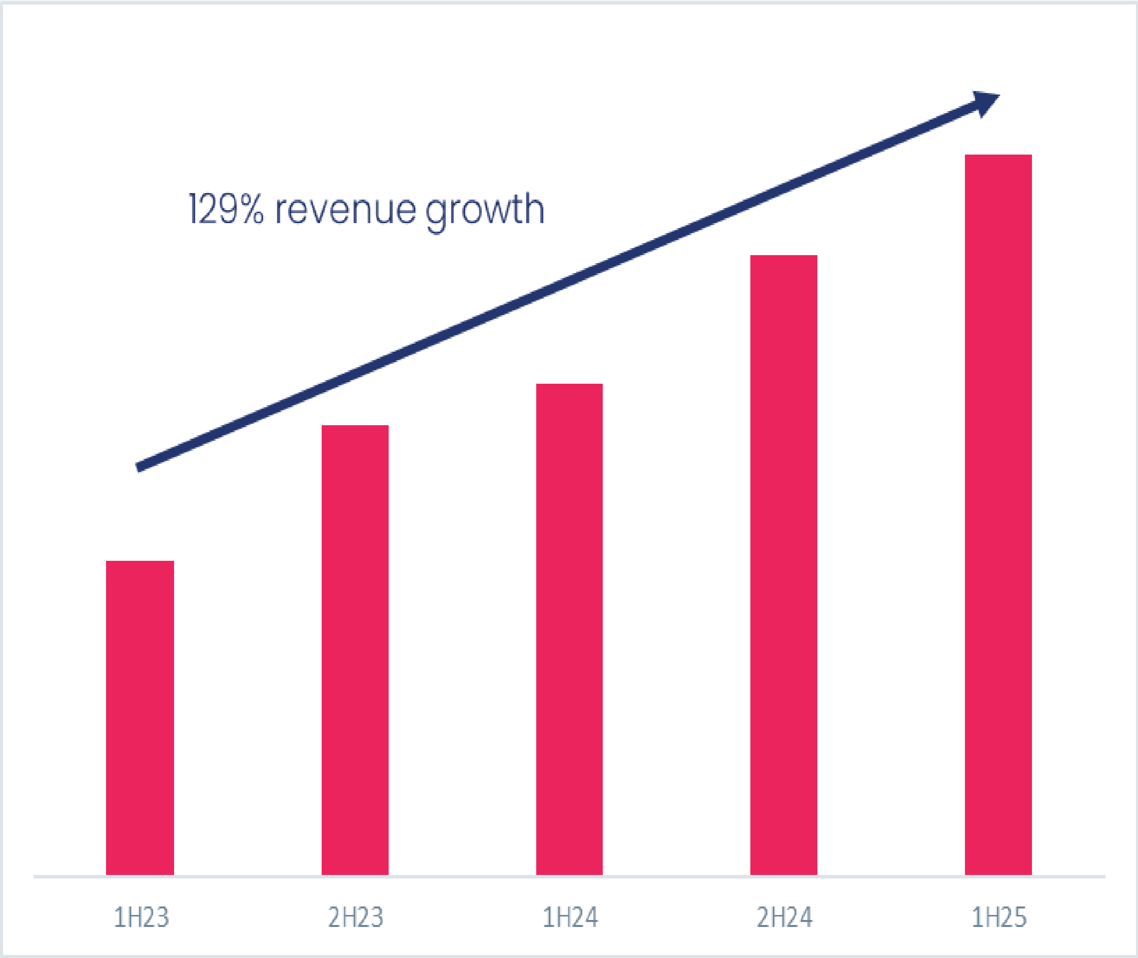
ACC Closures per Week



Contact Centre Performance

Growth in Genomic Diagnostics



Pathology Strategy – embedded across the business

Focused on providing better services for our patients and referrers to improve the volume and quality of the revenue we generate, and to become more efficient in our processes

Customer service

- Providing consistent and high-quality service across all touchpoints for patients and referrers
- Improving technology, training and recruitment in collection and call centres

Laboratory modernisation

- Simplify and automate workflows
- Standardise processes and improve productivity
- Reduce administrative burden
- Cost efficiency a natural by-product

Emerging diagnostics

- Diversifying from MBS
- Higher margin products and services
- Focused on genomics, preventative screening and B2C/B2B offerings

Enabled by:

Digital technologies

- Customer facing solutions to improve services for patients and doctors
- Clinical systems that underpin core workflow in laboratories
- Modern data platform that provides a secure infrastructure

People and ways of working

- New standardised national operating model
- Core functions:
  - Customer & Commercial
  - Laboratory Operations
  - Clinical Integration

Pathology Strategy

Focused on providing better services for our patients and referrers to improve the volume and quality of the revenue we generate, and to become more efficient in our processes

- Pathology strategy and operating model changes now embedded across the business
- Focus on doing basics well – Collection and Call Centre service improvements in 1H25
- Expanding in emerging diagnostics and growth areas – Genomic Diagnostics and B2B growing strongly
- Clinically driven pathology business with large-scale footprint to leverage
- Patient and referrer single focus, enabled by Medway technology solutions
- Digital health technology and AI investments are enablers for growth and efficiency
- Laboratory modernisation a key measure driven by Pathologists and Scientists
- Investor Day in March to articulate Strategy and Transformation progress

Agilex Biolabs

Financial

- Revenue $18.8m vs $19.0m in pcp
- EBITDA of $2.9m vs $4.1m in pcp
- EBIT of $1.1m vs $2.1m in pcp

Operational

- 1H25 performance impacted by United States elections
- Strong cost management undertaken ahead of the slowdown
- Work to strengthen and benefit from global partnerships
- Strong order book despite flat industry outlook in the interim
- Work to engage in market-leading opportunities within AI and major therapeutic areas
- Outlook for 2H25 encouraging

Lumus Imaging

Financial

- Gross revenue[1] $286.5m, growth of 13.3% on pcp
- EBITDA of $56.4m, growth of 23.7% on pcp
- EBIT of $26.4m, growth of 50.0% on pcp

Operational

- Investments in large-scale comprehensive clinics, improved modality mix and pricing initiatives are driving above-market growth
- Community site strategy to increase average revenue per clinic ahead of plan. Three new clinics at Bribie Fortune, MacArthur, and Werribee Mercy Hospital opened in 1H25
- Hospital segment growth driven by Hospital Reporting contracts
- Medical Centres has improved marginally, although the plan is still to assess and exit underperforming clinics at end of lease term
- Radiologist costs stable at ~27% but marginally up on pcp due to ramp up of new greenfield sites and shift in employment model

1. Gross revenue is before and statutory revenue is after deduction for contract radiologists' share of revenue and costs under AASB 15.
2. Excluding fixed fee BUPA and reporting only hospital contracts.

Sale of Lumus Imaging

- Sale of Lumus Imaging to Affinity Equity Partners announced 23 September 2024
- Enterprise value of $965m with net proceeds in excess of $800m
- Completion anticipated to occur in 2H25, subject to certain conditions
    - Majority of conditions now satisfied
- Proceeds of sale to be used to:
    - Reduce debt
    - Support strategic execution in Pathology
    - Return cash to shareholders
- Further details will be provided on completion

Key financials

Steve Humphries

Chief Financial Officer

1H25 Group Results

	1H25 $m	1H24 $m	Chg %
Revenue (Underlying)	933.9	849.0	10.0%
EBITDA (Underlying)	164.4	159.1	3.3%
Deprecation and amortisation (D&A)	(140.7)	(143.4)	1.8%
EBIT (Underlying)	23.7	15.7	51.0%
Non-underlying items	(13.1)	(16.6)	21.1%
Impairment charges	-	(603.2)	100.0%
Less: EBIT from discontinued operations	(26.4)	(17.6)	(50.0%)
Transactions with discontinued operations	(6.8)	(7.2)	5.6%
EBIT (Reported)	(22.6)	(628.9)	96.4%
Interest	(33.6)	(31.0)	(8.4%)
Tax	16.1	15.8	1.9%
Profit from discontinued operations	27.3	8.3	228.9%
NPAT (Reported)	(12.8)	(635.8)	98.0%

Underlying EBIT in line with guidance

- Underlying group revenue growth of 10% to $933.9m
- Pathology – growth in revenue underpinned by improved GP referrals
- Agilex Biolabs – negatively impacted by slow US market in Q2 during the election
- Lumus Imaging – revenue growth of 13.3% reflects exam growth from existing and new centres opened during the period, and pricing improvements
- Non-underlying items of $13.1m from digital program and restructuring costs
- For external reporting purposes, Lumus Imaging is classified as discontinued operations but is reported within Underlying results

Underlying results are defined as Reported results adjusted for non-underlying items. The Directors believe that presentation of Underlying financial information is useful for investors to understand the entity's core results from operations, without the impact of non-underlying items. For a reconciliation between Underlying and Reported refer Appendix.

Pathology (excluding Agilex)

	1H25 $m	1H24 $m	Chg %
Revenue	641.7	600.0	*7.0%*
EBITDA	111.2	115.3	*(3.6%)*
EBIT	4.1	4.0	*2.3%*
EBIT margin	***0.6%***	*0.7%*	*(4.4%)*

Revenue growth 7.0% underpinned by 5.0% volume growth

- Volume growth in GP returning to historical trend and strong growth in Genomics. GP attendances improved by 3.6% in the period compared with pcp
- Average fee growth, notably increases within B2B and GP sectors
- EBIT margin flat compared with pcp, reflecting investment in ACC and call centre labour, EBAs and pathologist remuneration
  - Additional 139 Collectors (3.5% increase) and call centre staff in 1H25 has contributed to significant reduction in ACC closure rates and improvement in call centre performance
  - Realignment and restructure of Pathologist remuneration

Agilex Biolabs

	1H25 $m	1H24 $m	Chg %
Revenue	18.8	19.0	*(1.1%)*
EBITDA	2.9	4.1	*(29.3%)*
EBIT	1.1	2.1	*(47.6%)*
EBIT margin	*5.9%*	*11.1%*	*(47.1%)*

Slow US market impacting revenue and margins with 2H25 recovery in progress

- EBIT margin 5.9% reflects $1.0m reduction vs pcp
- Market shift caused by uncertainty created by US elections, leading to the slow down in activity levels
- Market fundamentals, strategic rationale, competitive advantages remain, despite short-term uncertainty
- Pipeline for 2H FY25 already improved
- Expect full year results to at least match FY24 EBIT performance

Lumus Imaging

	1H25 $m	1H24 $m	Chg %
Gross revenue[1]	**286.5**	252.8	*13.3%*
Statutory revenue	**271.6**	228.3	*19.0%*
EBITDA	**56.4**	45.6	*23.7%*
EBIT	**26.4**	17.6	*50.0%*
EBIT margin[2]	***9.2%***	*7.0%*	*32.4%*

EBIT growth and margin expansion driven by revenue growth

- Above-market gross revenue growth of 13.3%, which reflects:
  - Exam volume growth of 16.7%
  - Average fee[3] growth of 2.8%
- Radiologist recruitment supported by new engagement model with 13 (circa 10%) new Radiologists in 1H25
- Three new clinics opened in 1H25, plus further investment in high value modalities

1. Gross revenue is before and statutory revenue is after deduction for contract radiologists' share of revenue and costs under AASB 15.
2. Margins calculated based on gross revenue.
3. Excluding fixed fee BUPA and reporting only hospital contracts.

Cashflow and capex

1H25 Gross Operating Cashflow	Free Cash Flow
$192.6m	**$45.4m**
($120.9m in pcp)	*($30m outflow in pcp)*

1H25 Maintenance capex	1H25 Growth capex
$11.1m	**$14.3m**
($18.2m in pcp)	*($16.1m in pcp)*

Cash conversion	Lease Payments
130.8%	**$136.1m**
(83.3% in pcp)	**($132.7m in pcp)**

Highlights

- Maintenance capex $11.1m, primarily site refurbishments for ACCs and imaging clinics
- Growth capex $14.3m mainly comprises:
  - Targeted spend on Lumus site expansions, and higher value modalities & infrastructure. Lumus equipment generally leased
  - Pathology growth capex oriented to organic growth, with focus on ACCs and technology
- Significant improvement in Free Cash Flow (pre-AASB16 i.e. including lease payments)
- Cash conversion[1] reflects disciplined management of working capital

1 Cash conversion is defined as operating cash flows (including discontinued operations) as a % of EBITDA less the cash costs of non-underlying items.

Debt management

1H25

- Net debt of $345.3m ($360.7m FY24)
- Gearing[1] at 3.8x – covenant[2] of <4.5x
- Interest cover at 3.3x – covenant of >3.0x
- 6.4% pre-tax (6.1% FY24) WACD[3] reflecting increase in BBSY and higher margins due to gearing levels
- 53% of drawn debt hedged

FY25 Outlook

- On completion of the Lumus Imaging sale, intention is to refinance borrowing facilities and significantly reduce debt
- Capital management remains a major focus
- Disciplined capital investment with defined hurdles for growth
- Gearing and interest cover to be within bank covenants

1 Bank gearing ratio as calculated on banking EBITDA of $91.3 million (underlying rolling 12-month EBITDA of $352.1 million before $261.0 million for AASB 16, $0.7 million for AASB 15, $0.4 million loss on sale of assets and $0.8 million share-based payments expense) and banking net debt of $348.6 million (which is net debt of $345.3 million plus unamortised borrowing costs of $3.3 million).
2 Debt covenant 4.5x for 31 December 2024.
3 Weighted Average Cost of Debt pre-tax.

2H FY25 Outlook

- Pathology has continued its growth trajectory during January and early February with volume and revenue growth consistent with 1H FY25
- Collection Centre productivity (labour and workforce management) a major focus for 2H25
- Pathology Strategy and Transformation Plans continue to mature and add value
- Agilex expected to outperform in 2H25 and deliver full year earnings in line with FY24
- Lumus Imaging exam volumes and revenue continue to perform ahead of market
- Lumus Imaging sale expected to complete in 2H25 when remaining conditions satisfied
  - Lumus earnings will be included as part of Healius Group earnings to date of sale completion
  - Full details of the exact amount of cash to be returned to shareholders will be provided on completion
- Plans for exit of stranded costs post the sale of Lumus Imaging well progressed
- Investor Day planned for 27 March 2025

Q & A

Appendix

Underlying vs Reported Reconciliation

	1H25 $m	1H24 $m
Underlying EBIT	23.7	15.7
Digital transformation costs	(9.2)	(12.5)
Transaction and takeover bid costs	(1.4)	(2.4)
Restructuring and other costs	(2.5)	(1.7)
Impairment of goodwill	-	(603.2)
Less: EBIT from discontinued operations	(26.4)	(17.6)
Transactions with discontinued operations	(6.8)	(7.2)
Reported EBIT (loss)	(22.6)	(628.9)

	1H25 $m	1H24 $m
Underlying EBIT	23.7	15.7
Finance costs	(39.9)	(36.0)
Income tax benefit	4.9	6.1
Underlying NPAT	(11.3)	(14.2)
Less: Underlying NPAT from discontinued operations	(8.9)	(4.0)
Non-underlying items after tax	(9.2)	(433.9)
Tax differential for non-deductible items	(0.8)	(182.1)
Profit after tax from discontinued operations	27.3	8.3
Transactions with discontinued operations, including interest	(9.9)	(9.9)
Reported NPAT incl. discontinued operations	(12.8)	(635.8)

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