Primary Health Care

FY 15 RESULTS
12 AUGUST 2015
Results overview

- Solid revenue growth across core businesses
- Underlying EBITDA flat, NPAT up on FY14
- Margin pressure:
  - Challenging transition year
  - One-off issues including Vitamin D, B12 and Folate Medicare cuts
  - Uncertainty for Healthcare Practitioners ("HCPs") around ATO issue / co-payments

Strategic Review

- Unique platform with attractive fundamentals
- Focus on core, invest to grow, improve return on capital
- Stakeholder engagement key
- Profit improvement program targeting 2-3% annualised NPAT margin expansion

<table>
<thead>
<tr>
<th></th>
<th>FY15 Underlying 1</th>
<th>FY14 Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>1,618.5</td>
<td>1,524.1</td>
</tr>
<tr>
<td>EBITDA</td>
<td>400.5</td>
<td>399.1</td>
</tr>
<tr>
<td>EBIT</td>
<td>248.1</td>
<td>255.5</td>
</tr>
<tr>
<td>NPAT</td>
<td>119.1</td>
<td>114.6</td>
</tr>
<tr>
<td>Dividend (cps)</td>
<td>20.0</td>
<td>22.7</td>
</tr>
<tr>
<td>EPS (cps)</td>
<td>23.3</td>
<td>20.0</td>
</tr>
</tbody>
</table>

1 Underlying excludes significant items - refer reconciliation on slide 22.
Primary Health Care

FINANCIALS
### FINANCIAL PERFORMANCE

<table>
<thead>
<tr>
<th>$ million</th>
<th>Year ended 30 June 2015 (Underlying) ¹</th>
<th>Year ended 30 June 2015 (Reported)</th>
<th>Year ended 30 June 2014 (Restated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>1,618.5</td>
<td>1,618.5</td>
<td>1,524.1</td>
</tr>
<tr>
<td>EBITDA</td>
<td>400.5</td>
<td>260.0</td>
<td>399.1</td>
</tr>
<tr>
<td>Depreciation and Amortisation</td>
<td>(152.4)</td>
<td>(162.1)</td>
<td>(143.6)</td>
</tr>
<tr>
<td>EBIT</td>
<td>248.1</td>
<td>97.9</td>
<td>255.5</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(66.5)</td>
<td>(66.5)</td>
<td>(71.7)</td>
</tr>
<tr>
<td>Income tax</td>
<td>(62.5)</td>
<td>105.1</td>
<td>(69.2)</td>
</tr>
<tr>
<td>NPAT</td>
<td>119.1</td>
<td>136.5</td>
<td>114.6</td>
</tr>
<tr>
<td>Earnings per share (cents per share)</td>
<td>23.3</td>
<td>26.7</td>
<td>22.7</td>
</tr>
<tr>
<td>Dividend per share (cents per share)</td>
<td>20.0</td>
<td>20.0</td>
<td>20.0</td>
</tr>
</tbody>
</table>

- Reported profit up 19.1%, underlying up 3.9%
- Underlying adjustments:
  - EBITDA: settlement with ATO for healthcare practitioners and impairments/other write-downs
  - D&A: accelerated non-cash write-downs
  - Income tax: ATO refund for deductibility of medical practice acquisitions/tax impact of other items
- Final dividend declared of 11.0 cps, 50% franked  Total dividend of 20.0 cps

¹ Underlying excludes significant items - refer reconciliation on slide 22
## MEDICAL CENTRES

<table>
<thead>
<tr>
<th>$ million</th>
<th>Year ended 30 June 2015</th>
<th>Year ended 30 June 2014 (Restated)</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>327.9</td>
<td>309.6</td>
<td>5.9%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>180.1</td>
<td>175.8</td>
<td>2.4%</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(20.4)</td>
<td>(18.3)</td>
<td>(11.5)%</td>
</tr>
<tr>
<td>Amortisation</td>
<td>(55.8)</td>
<td>(50.0)</td>
<td>(11.6)%</td>
</tr>
<tr>
<td>EBIT</td>
<td>103.9</td>
<td>107.5</td>
<td>(3.3)%</td>
</tr>
<tr>
<td><strong>EBIT margin (%)</strong></td>
<td><strong>31.7%</strong></td>
<td><strong>34.7%</strong></td>
<td><strong>(300)bps</strong></td>
</tr>
</tbody>
</table>

- **Strong revenue growth**
  - Patient volumes subdued in Q4
  - No new centre openings in the period
- Margin declines reflect investment in IVF, Transport Health, Primary Health Institute, and clinical engagement team
- Uncertainty for HCPs around tax treatment of acquisition costs and co-payments. Tax now resolved
- Amortisation increased with net growth in HCP base and more recruitments out-of-area
### PATHOLOGY

<table>
<thead>
<tr>
<th>$ million</th>
<th>Year ended 30 June 2015</th>
<th>Year ended 30 June 2014 (restated)</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>937.8</td>
<td>887.4</td>
<td>5.7%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>153.4</td>
<td>156.7</td>
<td>(2.1)%</td>
</tr>
<tr>
<td>Depreciation &amp; Amortisation</td>
<td>(24.4)</td>
<td>(22.3)</td>
<td>(9.4)%</td>
</tr>
<tr>
<td>EBIT</td>
<td>129.0</td>
<td>134.4</td>
<td>(4.0)%</td>
</tr>
<tr>
<td>EBIT margin (%)</td>
<td>13.8%</td>
<td>15.1%</td>
<td>(130)bps</td>
</tr>
</tbody>
</table>

- Revenue growth strong and in line with expectations
- Vitamin D, B12 and Folate Medicare cuts and revised classifications from November 14 which impacted revenue and margins
- Increased operating costs (ACC rents and labour) as budgeted
## IMAGING

<table>
<thead>
<tr>
<th>$ million</th>
<th>Year ended 30 June 2015</th>
<th>Year ended 30 June 2014 (restated)</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>339.0</td>
<td>316.1</td>
<td>7.2%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>73.3</td>
<td>73.0</td>
<td>0.4%</td>
</tr>
<tr>
<td>Depreciation &amp; Amortisation</td>
<td>(39.0)</td>
<td>(38.2)</td>
<td>(2.1)%</td>
</tr>
<tr>
<td>EBIT</td>
<td>34.3</td>
<td>34.8</td>
<td>(1.4)%</td>
</tr>
<tr>
<td>EBIT margin (%)</td>
<td><strong>10.1%</strong></td>
<td><strong>11.0%</strong></td>
<td><strong>(90)bps</strong></td>
</tr>
</tbody>
</table>

- Revenue growth strong, helped by immigration visa medicals contract which commenced August 2014 and now extended
- Profitability impacted by loss of Buderim in 2H15
- Rebuilding margin through Bridge Road and other large imaging centre sites
### MEDICAL DIRECTOR

<table>
<thead>
<tr>
<th>$ million</th>
<th>Year ended 30 June 2015</th>
<th>Year ended 30 June 2014 (restated)</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>38.2</td>
<td>37.3</td>
<td>2.4%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>20.2</td>
<td>20.2</td>
<td>in line</td>
</tr>
<tr>
<td>Depreciation &amp; Amortisation</td>
<td>(6.3)</td>
<td>(8.8)</td>
<td>28.4%</td>
</tr>
<tr>
<td>EBIT</td>
<td>13.9</td>
<td>11.4</td>
<td>21.9%</td>
</tr>
<tr>
<td><strong>EBIT margin (%)</strong></td>
<td><strong>36.4%</strong></td>
<td><strong>30.6%</strong></td>
<td><strong>580bps</strong></td>
</tr>
</tbody>
</table>

- Strong growth in the two core revenue streams:
  - GP & Specialist revenue up 6.4%
  - Publishing & knowledge revenues up 5%
- EBIT increased as the amortisation of the intangible asset arising on the acquisition of Medical Director (previously HCN) finished in 1H15
- New product momentum continued with launch of online appointments and cloud hosted GP software
• 94% conversion of Underlying EBITDA to Gross Operating Cash Flow (FY14 95%)
• PP&E includes Bridge Road, Brookvale, Corrimal (FY15 $38m, FY14 $21m)
• Barangaroo ($39.8m) held for sale, Transport Health ($17.8m), VEI ($5.5m)
• Doctor acquisitions\(^2\) totalled $90.4m (FY14:$80.3m)

1. PPE includes $28.1m software capitalisation which is included in ‘Payment for other intangibles’ in the Cash Flow Statement, Appendix 4E-Preliminary Final Report
2. Doctor acquisitions includes $18.5m healthcare practices acquired, $65.8m contractual agreements and $6.1m extensions. Healthcare practices acquired are capitalised as tangible assets and goodwill. Contractual agreements and extensions are included in ‘Payment for other intangibles’ in the Cash Flow Statement, Appendix 4E-Preliminary Final Report
## NET DEBT AND GEARING

<table>
<thead>
<tr>
<th>$ million</th>
<th>As at 30 June 2015</th>
<th>As at 30 June 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank and finance debt</td>
<td>1,053.2</td>
<td>945.3</td>
</tr>
<tr>
<td>Cash</td>
<td>(50.0)</td>
<td>(27.5)</td>
</tr>
<tr>
<td>Retail Bonds</td>
<td>152.3</td>
<td>152.3</td>
</tr>
<tr>
<td><strong>Net debt</strong>²</td>
<td><strong>1,155.5</strong></td>
<td><strong>1,070.2</strong></td>
</tr>
<tr>
<td><strong>Gearing</strong></td>
<td><strong>32.1%</strong></td>
<td><strong>31.1%</strong></td>
</tr>
</tbody>
</table>

- Gearing increase primarily due to capital expenditure including Barangaroo and Transport Health
- VEI sale¹ and the ATO refund to be received in 1H16
- Refinanced $1.25bn bank facility. Extended maturity profile (up to 5 years) and improved terms
- Existing debt facility provides the capacity to refinance $152m of Retail Bonds maturing September 2015

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1. Primary sold ~36m shares in Vision Eye Institute on 31 July for ~$34m and a further ~5m shares on market for ~$4m
2. Net debt is on balance sheet debt and excludes operating leases
Primary Health Care

STRATEGIC REVIEW
MODEL HAS ATTRACTIVE FUNDAMENTALS

IMAGING

PATHOLOGY
World Class Labs

MEDICAL CENTRES
Large Scale
Multidisciplinary

SPECIALISTS
Cardiologists, neurologists, IVF, dermatologists, endocrinologists, gastroenterologists etc.

ALLIED HEALTH
Audiologists, chiropractors, dieticians, occupational therapists, osteopaths, physiotherapists, podiatrists etc.

PHARMACY

✓ Invest for Growth
✓ Improve Return on Capital
✓ Strengthen Balance Sheet
MEDICAL CENTRES

✓ INVEST FOR GROWTH

• Accelerate roll-out from flat base
• Capacity to grow market share
• Large-scale centres drive revenue across Group

✓ IMPROVE ROI

• Improve HCP recruitment and retention
• ATO issues resolved with positive feedback
• Flexible recruitment and retention models
• Target pre-tax ROIC of 15-20% on new sites
**INVEST FOR GROWTH**

- Expand service offering e.g. genetic testing
- Focus on Government outsourcing contracts
- Explore opportunities offshore

**IMPROVE ROI**

- Continue investment to lower cost base
- Expand collection centres only at rents which deliver reasonable returns
IMAGING

INVEST FOR GROWTH

• Bridge Road Imaging Centre is the 1st large scale centre and model for future centres
• Focus on large scale sites
• Invest in radiologists and equipment
• Explore expansion options

IMPROVE ROI

• Alignment of remuneration and performance
• Greater efficiencies in costs including funding
• Use of Property Trust to reduce capital costs
• Optimise community sites
MEDICAL DIRECTOR

✓ INVEST FOR GROWTH

• Continue new product development e.g. online appointments
• Develop new income streams e.g.:
  • e-health
  • consumer connectivity

✓ IMPROVE ROI

• Evaluate strategic partners to provide expertise
• Evaluate optimal capital structure
STRENGTHEN BALANCE SHEET

Capital recycling
- VEI sale in July ~$38 million
- Barangaroo property - ‘held for sale’

Capital Expenditure
- Full review including property and IT

Property Trust
- New investments off balance sheet including Bridge Road Imaging

ATO refunds

Dividend policy
- Payout ratio to provide sustainable capital management
STAKEHOLDER ENGAGEMENT

Patients
- Service innovations
- Multi-disciplinary medical centres

HCPs
- $110 million ATO settlement
- Flexible recruitment/retention models
- Primary Health Institute

Staff
- Performance-based remuneration model
- Communication and collaboration across the group
- Single head office

Government
- Proactive dialogue

Investors
- Greater transparency
- Change in accounting on acquisition of practices
PROFIT IMPROVEMENT PROGRAM

- Better HCP Retention
- Capex review
- ReIT structure benefits
- Capture network benefits
- Back office
- Removal of duplication
- Procurement benefits

2-3% margin uplift

- Lower Capital Costs
- Revenue Improvements
- Efficiency Gains
SUMMARY

Results overview

• Solid revenue growth across core businesses
• Underlying EBITDA flat, NPAT up on FY14
• Margin pressure:
  • Challenging transition year
  • One-off issues including Vitamin D, B12 and Folate Medicare cuts
  • Uncertainty for HCPs around ATO issue / co-payments

Strategic Review

• Unique platform with attractive fundamentals
• Focus on core, invest to grow, improve return on capital
• Stakeholder engagement key
• Profit improvement program targeting 2-3% annualised NPAT margin expansion

Outlook
Primary Health Care

APPENDICES
## Reconciliation of reported to underlying

<table>
<thead>
<tr>
<th></th>
<th>EBITDA</th>
<th>D&amp;A</th>
<th>Tax</th>
<th>NPAT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reported</strong></td>
<td>260.0</td>
<td>(162.1)</td>
<td>105.1</td>
<td>136.5</td>
</tr>
<tr>
<td>Less: ATO refund for tax deductibility of medical practice acquisitions</td>
<td>-</td>
<td>-</td>
<td>(155.7)</td>
<td>(155.7)</td>
</tr>
<tr>
<td>Plus: ATO settlement on behalf of healthcare practitioners</td>
<td>110.5</td>
<td>-</td>
<td>-</td>
<td>110.5</td>
</tr>
<tr>
<td>Plus: Impairment of assets</td>
<td>11.0</td>
<td>-</td>
<td>(3.3)</td>
<td>7.7</td>
</tr>
<tr>
<td>Plus: Other items</td>
<td>19.0</td>
<td>-</td>
<td>(5.7)</td>
<td>13.3</td>
</tr>
<tr>
<td>Plus: Depreciation and amortisation accelerated write-down</td>
<td>-</td>
<td>9.7</td>
<td>(2.9)</td>
<td>6.8</td>
</tr>
<tr>
<td><strong>Underlying</strong></td>
<td>400.5</td>
<td>(152.4)</td>
<td>(62.5)</td>
<td>119.1</td>
</tr>
</tbody>
</table>
Change in accounting policy for healthcare practice acquisitions

Background

• Change in accounting policy for acquisition of healthcare practices was made HY15
• Impacts accounting for doctors’ acquisitions in Medical Centres (GP, specialist and allied health) and Imaging
• No impact on Pathology

New accounting policy

• Practices acquired from within a specified distance around a Primary Medical Centre or Imaging site:
  – 30% of acquisition price allocated to the contractual relationship and amortised over the life of the contract
  – 70% of acquisition price booked to Goodwill
• Practices acquired from outside a specified distance around a Primary Medical Centre or Imaging site:
  – 100% of acquisition price allocated to the contract relationship and amortised over the life of the contract
• Specified distance is usually 10 km but can vary in some circumstances
• Usual contract life is 5 years but can vary in some circumstances

Summary

• Typically ~80% of annual practice acquisition costs will be amortised over the life of the contract and ~20% booked to Goodwill based on recent trends and experience
Change in accounting policy for healthcare practice acquisitions

Financial implications

- No change to EBITDA
- No change to cash spend
- No change to dividends per share
- No impact on debt covenants
- Incremental amortisation expense $55.0 million in FY15 ($49.7 million in FY14 restated)
- Impact on Balance Sheet as at 30 June 2014 as follows:

<table>
<thead>
<tr>
<th>$ million</th>
<th>30 June 2014 (restated)</th>
<th>Restatement 1</th>
<th>30 June 2014 (reported)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goodwill</td>
<td>2,799.6</td>
<td>(510.9)</td>
<td>3,310.5</td>
</tr>
<tr>
<td>Other Intangibles</td>
<td>272.4</td>
<td>139.9</td>
<td>132.4</td>
</tr>
<tr>
<td>Deferred Tax</td>
<td>7.4</td>
<td>(4.1)</td>
<td>11.5</td>
</tr>
<tr>
<td>Retained Earnings</td>
<td>2,372.4</td>
<td>(375.1)</td>
<td>2,747.6</td>
</tr>
</tbody>
</table>

1. At HY15, the principles were applied to practice acquisitions on or after 1/1/04. At FY15 the principles extended to all acquisitions on or after 1/1/98. An additional decrease in goodwill and retained earnings of $84.7m has occurred as a result.
Change in accounting policy for healthcare practice acquisitions

Taxation implications

• Healthcare Practitioners acquired on or after 1 July 2015:
  • Deferred tax liability (DTL) to be recognised at the time of the acquisition of healthcare practices and capitalisation of contractual relationship intangible assets.
  • Equal movement in DTL will ensure an effective tax rate of 30%.

• Healthcare Practitioners acquired prior to 30 June 2015:
  • No DTL has been recognised regarding the acquisition of healthcare practices and capitalisation of contractual relationship intangible assets to-date.
  • Therefore there will be an increase in the effective tax rate above 30% which will progressively decrease back to 30% as the associated amortisation expense is recognized and runs off.
  • The additional accounting tax expense is as follows:

<table>
<thead>
<tr>
<th></th>
<th>$ million</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additional Accounting Tax Expense</td>
<td></td>
<td>15.1</td>
<td>12.0</td>
<td>8.8</td>
<td>5.4</td>
<td>1.9</td>
</tr>
</tbody>
</table>
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