

## PRIMARY HEALTH CARE (PRY)

20 AUGUST 2018

RESULTS	Full Year 2018	Full Year 2017	CHANGE
Underlying Revenue (\$m)	1,740.3	1,658.6	+4.9%
Bloomberg Consensus (\$m)	1,738.0		
EBIT (\$m)	167.0	174.6	-4.4%
Underlying Profit (\$m)	92.3	92.1	+0.2%
Bloomberg Consensus (\$m)	93.5		
Net Profit/(Loss) after Tax (\$m)	8.9	(516.9)	n/a
Final Dividend (\$)	0.055	0.058	-5.2%

### Primary Health Care (PRY) swings back to profit led by Pathology

- **Primary Health Care (PRY)** has swung back to profitability, with the medical and pathology centre operator recording an \$8.9m annual profit, boosted by improved Pathology and Imaging earnings. Underlying profits were slightly below the estimates of 10 analysts surveyed by Bloomberg. The company's shares have entered a trading halt as it undergoes a capital raising.
- **Pathology**, its largest division, lifted revenue by 5% while reducing property costs thanks to rental negotiations. The unit's earnings was held back by the planned, but now completed, divestment of Healthscope collection centres in NSW and QLD. **Imaging** revenue rose most among its businesses, lifting 10.5% to \$368.4m, thanks partly to continued growth in hospitals. Looking forward in FY19, two significant sites will open their doors in NSW (Northern Beaches Hospital in Sydney and Highfields in regional NSW).
- Its **Medical Centres** unit has been a weight on the company in recent years and remains partway through a transition program. The division's revenue in 2018 eased 1.4% to \$313.4m. Its \$516.9m loss a year earlier was weighed down by a \$486.5m write-down of the value of its centres. PRY's Managing Director and CEO, Dr Malcolm Parmenter said the company is "...progressing through the program to transition GPs onto more flexible [and capital light] contracts" that provide GPs with a higher share of billing revenue and more flexible working conditions.
- PRY entered a trading halt as it undergoes a **\$250m capital raising** (non-renounceable entitlement offer of 1 new share for every 5.21 existing shares at \$2.50 per share). PRY last traded at \$3.20 before entering the halt. It plans on using the funds to increase operational capacity in existing Medical Centres, improve efficiency in its Pathology business and to potentially acquire a leading day hospital operator.
- A **fully franked final dividend** of \$0.055 has been declared and will be paid out on 17 September 2018.
- **Looking ahead**, PRY currently expects underlying NPAT in FY19 to be at or above its 2018 result prior to a potential acquisition and a capital raising. The company expects slower industry growth over the first half before returning to normal rates on growth and will provide a further update at its AGM in November 2018. Dr Parmenter said that "...a growing and ageing population, increasing numbers of people living longer with chronic illness, rising patient expectations and expanding wealth per capita all underpin healthcare demand".

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