

**BELL POTTER****HEALTHSCOPE (HSO)**

## FY16 result

RESULTS	FY15	FY16	CHANGE	CONSENSUS	BELL POTTER ESTIMATES	COMMENTS
Revenue (\$m)	2157	2291	6.2%		2308	
EBITDA (\$m)	380.8	407.9	7.1%			
Net Profit (\$m)	155.6	194.6	25.1%	193	198	strong Hospitals divisions and a reduction in interest expense
Dividend (cents)	7.0	7.4	5.4%	7.5	7.4	Unfranked 3.9 cps final div, ex 13 Sep, Pay 28 Sep

- Divisional EBITDA
  - Hospitals up 8.3% to \$354.9m, EBITDA margin up 50bp to 18.2% reflecting on-going progress in relation to labour, procurement and revenue initiatives.
  - NZI Pathology up 21.8% to \$50.7m, EBITDA margin down 10bp to 22.8%
- Hospital expansion program on track delivering 163 additional beds and nine additional operating theatres. A further ten projects across Victoria, New South Wales, Queensland and the Northern Territory are currently under construction and are expected to deliver 762 beds and 43 operating theatres by the end of FY19.
- Net operating cash flow up 7.5% to \$324.4m

**Outlook:** HSO has not provided numerical guidance for FY17 but expects to deliver 207 net new beds in FY17, up from 163 beds in FY16 “FY17 will be another year of significant investment with ten projects under construction ensuring Healthscope is well positioned to meet future demand. Continuous improvement in the underlying operations will also remain a key focus.”

**Today's share price reaction:** Up 3.8% to \$3.01 (11.21 am).

**Recommendations:** The analyst currently has a Neutral rating and this is likely to remain with our FY17 NPAT forecast of \$213m and consensus at \$211m.

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