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TRANSCRIPTION

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[START OF TRANSCRIPT]

Operator: Thank you for standing by, and welcome to the Healius Limited conference call. I would now like to hand the conference over to Janet Payne, Group Executive, Corporate Affairs. Please go ahead.

Janet Payne: Morning, everyone, and welcome to the Healius Capital Structure Reset and Equity Raise investor presentation. Due to legal restrictions, we are unable to discuss any details around the around the equity raise other than the basic terms referred to in the offer announcement and presentation released to the ASX on Monday. Please refrain from asking questions beyond the specific details of the equity raise, as we are legally restricted from answering those questions on this call. We use the presentation lodged on the ASX on Monday on this call and refer to various slides in the presentation. So, with that, I'll hand you over to Maxine Jaquet, our CEO and MD, to start the presentation.

Maxine Jaquet: Thank you, Janet, and good morning, everyone. I'm going to refer to a couple of the slides from the presentation, specifically slide 6 and slide 7, before we turn to questions. On Monday, Healius announced a capital structure reset and $187 million equity raising via a fully underwritten, non-renounceable entitlement offer. The new shares under the entitlement offer were issued at an offer price of $1.20 per share, which represents a 29.3% discount to the theoretical ex-rights price of $1.70 per share.

The proceeds from the entitlement offer will be used to reduce Healius' net debt. As we've outlined before, pathology and imaging market volumes were disrupted by the impact of COVID-19 pandemic and post-COVID has been recovering for all industry participants. Furthermore, elevated levels of inflation and interest rates have continued to drive a material increase in costs, while pathology MDS benefits have not been indexed for the last 25 years.

In this environment, the management team at Healius has and continues to undertake an extensive reset of our cost base post the COVID environment. This week's equity raising resets Healius' capital structure with an appropriate gearing for the current environment.

As you can see on this slide, we also announced that we have received support from our debt providers in the form of an agreement to waive Healius' net debt-to-EBITDA gearing covenant for the first half of FY 2024. Our lenders have also agreed to temporarily increase the covenant from 3.5 times to four times for the full year FY 2024 testing date on 30 June 2024.

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This covenant support is provided in conjunction with a commitment from Healius to reduce its total bank facilities from $1 billion to $750 million and to reduce its drawn debt by at least $150 million by 30 June 2024. The entitlement offer will allow Healius to satisfy this commitment to reduce its drawn debt. We are also not paying any dividends in this financial year. Following the completion of the entitlement offer, Healius expects to have sufficient financial flexibility and liquidity to navigate the near term cost pressures in a post-COVID recovering market.

We also have the flexibility to undertake some disciplined investment in our core businesses, including on growth opportunities, primarily in the imaging division. This capital structure resets also [supports] Healius' position to take advantage of the recovery in the healthcare sector over the medium to long term, which we believe continues to be underpinned by strong underlying drivers.

Turning to the next slide, which is slide 7, balance sheet reset. As I mentioned on the prior slide, the proceeds from the entitlement offer will be used to reduce Healius' net debt and reset its balance sheet with an appropriate gearing. At 30 June 2023, Healius' net debt was $450 million, and its net debt to EBITDA gearing ratio was 3.5 times.

Following completion of the entitlement offer on a pro forma 2023 basis, Healius' net debt would reduce to $263 million before costs of the capital raising, which would imply a gearing ratio of two times underlying EBITDA. Healius would have pro forma undrawn bank facilities of $372 million, with the first maturity event due in March 2025. As a result, we expect to have sufficient financial flexibility and liquidity following completion of the entitlement offer.

Turning to the next slide, slide 8. Positioning for recovery. As mentioned earlier, we have implemented extensive costs and capital restructure initiatives to address the challenging market trading conditions. We already undertook an extensive cost reset program through the course of FY 2023. This included rapid removal of COVID cost from the business, first phase right-sizing for labour in our laboratories, significant procurement savings across consumables and other categories, and management of divisional back office and corporate costs. This year, we continued to focus on ongoing cost efficiency and revenue reviews in light of continued trading conditions.

These programs include pricing and revenue assurance initiatives, footprint optimisation and ongoing general cost management to offset inflationary pressures. Collectively, these initiatives have been designed and implemented to make Healius a leaner and stronger underlying business. Together with the announced capital structure initiatives and equity raising, they've positioned Healius to capitalise on the expected recovery and underlying industry volumes over time. I will now hand to Paul to take you through the trading update and forecast. Thanks.

Paul Anderson: Thanks very much, Maxine. So, I'm just going to go through both slides 10 and 11 in the pack. This is the trading update and the outlook, FY24. So, slide 10 summarises our trading for the first quarter of FY24. In terms of pathology, core volumes for the quarter excluding COVID-only testing are up 6% on the prior corresponding period. Notably, since the end of the first quarter, we've seen weekly pathology volumes steadily improve across October and in first three weeks of November.

We've maintained our market share of pathology benefits paid under the Medicare benefit scheme, which has remained constant on a rolling six-month and 12-month basis. This is a solid outcome given the lower growth and lower value of GP-referred MBS benefits paid when compared to the growth and value of specialist benefits. COVID-only testing revenues are now negligible, with volumes down over 90% on the prior corresponding period.

Agilex has continued to perform well, with growth momentum continuing from its run rate in Q4 FY23, and it remains on track for a much stronger FY24 EBIT contribution. Lumus Imaging is continuing to see growth in volume and price, benefiting from positive modality in mixed shifts and indexation. The Lumus Imaging business supported by a footprint of large-scale, comprehensive community sites and a strong hospital portfolio.

In the first quarter of FY24, gross revenue for Lumus Imaging was up 9% from its community and hospital sites on the prior corresponding period. This was in line with growth and total MBS benefits paid to imaging market participants. In terms of the outlook for FY24, which is on slide 11, so based on trading conditions that we've seen in the year to date for FY24, we've provided guidance for the first half and for the full year. For the first half of FY24, Healius now expects underlying EBITDA to be in the range of $158 million to $161 million, and underlying EBIT to be in the range of $14 to $17 million.

It's important to note that the prior comparable period benefited from COVID-related PCR testing revenues of $57 million, which equated to an EBIT benefit of approximately $24 million. For the full year FY24, we expect underlying EBITDA to be in the range of $383 to $393 million, and underlying EBIT to be in the range of $95 to $105 million. This guidance is based on various assumptions.

Firstly, revenue is historically weighted towards the second half, driven mainly by growth of pathology volumes and revenue. Given our predominantly fixed cost base, this results in a more significant earning skew to the second half. You will see that the mid-point of our guidance range is the first half/second half EBITDA skew for FY24 of 41%/59%.

Secondly, our guidance range is based on the assumption that the second half FY24 pathology volumes are expected to grow between 6% and 8% relative to the prior corresponding period. You will understand that we are a predominantly fixed cost base business in pathology. So, of the additional revenues in H2, 85% of those fall through to EBIT.

We've triangulated this range based on several factors. The first quarter of FY24 pathology volume growth was 6% on the prior corresponding period. We have observed an upward trend in pathology volume growth in the market in October and November weeks. Pathology revenue is expected to be approximately $600 million for the first half of FY24. This is approximately a 5% growth on 1H23 revenue. For each 1% change in pathology volume growth for the second half of FY24 compared to the prior corresponding period, results in approximately $5 million of additional EBIT impact.

Our FY24 guidance range includes a net benefit of $15 million EBIT in the second half, and the cost efficiency and revenue initiatives Maxine talked about earlier. There are no material redundancy or other costs associated with these. Finally, the improving trends of both Lumus Imaging and Agilex will drive second half skews in revenue and hence performance for both of these businesses as well as pathology.

All of the above is part of our full year guidance range of the $95 to $105 million. A combination of the traditional revenue and performance went into the second half, high volume growth expectations to pathology in that half and our revenue and efficiency reviews. All of these have a significant impact on earnings for the second half of FY24. Thank you.

Janet Payne: Thank you, Paul, and thank you to everyone on the call for joining us, and for your support. That's the end of the presentation. We've got time left for questions. If we can, I'd like to limit each respondent to one major question, and of course, we're more than happy to answer any questions you have following this call. So, with that, I'll pass over to the moderator. Thank you.

Operator: Thank you so much. If you do wish to ask a question, you can register by pressing star then one on your phone, and if you wish to cancel at any time, you can do so by pressing star then two. If you are on a speakerphone, please pick up your handset before asking your question. Your first question today comes from David Low at J.P. Morgan. Please go ahead.

David Low: (J.P. Morgan, Analyst) Thanks very much. Paul, you just confirmed that there's no - not material additional costs from the efficiency programs that are due to deliver $15 million in the second half. Can we understand what's happening - one, just to clarify what costs will be associated, and two, if you could talk a little bit about corporate costs. My understanding was corporate costs were going to rebound this year over last because short-term incentives were going to be accumulated. Presumably that's much less the case. Just a little bit of a sense as to what's happening with the corporate costs would be helpful.

Paul Anderson: Sure. So, look, two things. On the $15 million, it's predominantly made up of two parts. First is just reducing overall annual leave balances across the business. We have significant annual leave balances post the COVID period where there wasn't a lot of people on leave. So, managing those in particular across the December, January and then out to December - to June 24 period. So, that's a big chunk of it. The second part is pathology labour and costs, and that is around using our advanced rostering system.

So, we have uniformity across each of our major operations and the major workforce groups to ensure that we've been consistent with overtime, with casuals, and permanent part-times, et cetera. So, we just have a more efficient way of basically rostering what is a largely - a workforce that is across the collectors, couriers and in our laboratories. So, those are the two major parts of the costs. In terms of corporate costs, I think we have said that they were circa $20 million, that there wasn't going to be a tick-up this year, because we are not accruing for short term incentives across FY24.

David Low: (J.P. Morgan, Analyst) Thanks for that. I'm just going to squeeze in one more. I think I would like to understand why you're doing a call now and not before the market opened, when frankly, we wouldn't have published. It just seems unusual not to have given a briefing at a time when everyone could get the information at the same point.

Paul Anderson: Look, David, I think that was purely just a timing and logistics thing in the - just how the process bore out. So, the intention was to do a call earlier, but it was just a timing/logistics issue. So, we apologise…

David Low: (J.P. Morgan, Analyst) Yes. Well, I don't think you've done shareholders any favours, doing it that way. But look, I'll leave it at that. Thanks very much.

Operator: Thank you. Your next question comes from Craig Wong-Pan at Royal Bank of Canada. Please go ahead.

Craig Wong-Pan: (Royal Bank of Canada, Analyst) Thanks and good morning. My question was just trying to understand that chart 4 in earnings, EBITDA and EBIT in the first half, given that at your four-year result, you'd reset the cost base. You have been achieving base business revenue growth, and I understand that COVID revenues have dropped a bit from the second half, but just trying to understand that magnitude of that earnings coming through, because that was a real surprise for the market.

Paul Anderson: Look, I think there's two parts to that. One as we've set out for H1 obviously had $24 million of COVID-related earnings in the first half last year. The second part of it is, yes, we have reset our cost base. The things that haven't – sorry, that were not included in that cost base as we went into 2024 was obviously wage inflation. We've got inflation associated with our collection centres and rents. That first half did have the expansion in the collection centres which is not ongoing now, but did happen in the back half of '23. So, there was a net increase in collection centres across that period.

We have additional radiologist costs in the cost base in the first half, which – whilst the costs go up, the revenue associated with that goes up quite significantly as well. You also – if you're comparing H2 to H1, there's various cost timing differences as well across those periods. The last thing I'd say is, we have, as you know, in pathology, a fixed cost base business that gets spread equally over both halves. The second half, when volumes increase, is obviously leveraged – the EBIT is leveraged to the second half quite significantly.

Craig Wong-Pan: (Royal Bank of Canada, Analyst) Then, just to follow up on that, the improved rostering that you expect for the second half to drive earnings and those efficiencies, is this a new system or new way of doing things? Just trying to understand how you're going to get that improved efficiencies.

Paul Anderson: So, this is – it's a second phase of the system, and it's completing the advanced part of the rostering software that we have. Putting in place experienced and dedicated rosterers, rather than having managers rostering staff. So, it's quite a significant change for the organisation.

Craig Wong-Pan: (Royal Bank of Canada, Analyst)Okay, thank you.

Paul Anderson: We fully implemented and then automated, so.

Operator: Thank you. Your next question comes from David Bailey at Macquarie. Please go ahead.

David Bailey: (Macquarie, Analyst) Good morning. Sorry, I'm in a cab. Just one question from me. Talking about core pathology, something we haven't really seen before. As we start the model at fiscal '24, the first half and the second half, I'm just interested if you could give us the numbers that would have been recorded in the PCP. So, your core pathology, or what you're calling core pathology in the first half of '23, and the core pathology in the second half of '23 so that then we can figure out what the revenue looks like and back solve the operating costs.

Paul Anderson: Sorry, I didn't really catch all of that, David.

Janet Payne: I think I've got it, David. So - it's Janet here. So, yes, in terms of the forecast and the percentages that Paul's been triangulating for the forecast, we've basically taken all pathology revenue. So, 2H is effectively the 587 that you saw in BAU and the 20 of COVID. So, it gets you to 600 as your base for the 2H '23, or 600 plus. The first half, as you know, we've got 57 of - fewer COVID from the old COVID codes in the first quarter, but most - the rest of it goes into BAU.

So, in terms of the forecast, we're using all the volumes there. In terms of what we're doing in actuals, we've said to you that first quarter that we're just going for the midpoint. So brokers are using a range of either putting these new COVID codes all into BAU or all into COVID. We are taking the midpoint, which is just the COVID only code will be COVID from now on, and that's what gave you the 6% volume growth in the first quarter.

So yes, just to recap it, you're basically looking at a base of the 587 and the 20 for the second half of '23 for the triangulation.

David Bailey: (Macquarie, Analyst) Thanks, Janet.

Operator: Thank you. Your next question comes from Steve Wheen at Jarden Group, please go ahead.

Steve Wheen: (Jarden Group, Analyst) Yes, thanks very much. I also just wanted to talk to the first half number, particularly in light of your comments that were made at the full year result. You indicated that the EBITDA for second half '23 was a good base for us to use going into '24, which two months later that no longer looks like the case.

What has changed within the last two months to actually drive this change of stance and for it to be so weak in the first half, particularly when you're looking at the margins? The margins go down in first half relative to what was achieved in second half quite considerably.

I know there is COVID PCR testing in second half, but even if you adjust for that based on the margins that you've indicated COVID testing gets, there is still a significant reduction in EBITDA margin. So I'm just trying to understand what has happened in that first half of the year, particularly when you said in second half that was a good base for us to use.

Paul Anderson: Well, Steve, I'm not sure that that was exactly what we said. So I think what we were trying to demonstrate, and if I think I understand what you are saying, is when we were demonstrating the cost reset as I explained before, that was at a point in time once the cost reset had been done and the operating cost, the SIP Program was complete.

What has happened since then, so obviously volumes despite being up 6% for that first quarter, we still have this fixed cost base, and we have had wage inflation, rent inflation, the expansion of the ACCs and those additional radiologists costs in H1, which have impacted earnings for that half. So hopefully that makes sense.

Steve Wheen: (Jarden Group, Analyst) Yes, that does - I mean, that does, and that helps explain the margin, but I mean, weren't those costs anticipated back then? I mean, there is EBAs that are driving the wage inflation, I would've thought that that'd been very well known and could have been called out at that point.

Janet Payne: We did actually go to that feedback, said very clearly that if we didn't get the volumes through, we'd have to wear that EBA inflation. I mean, at the end of the day, as Paul's always said, it all comes down to the volumes.

Paul Anderson: Yes, I think Steve, it's - the flip side of that is actually purely Pathology volumes, which make the difference to your margin.

Steve Wheen: (Jarden Group, Analyst) Yes. But also your volumes for the first quarter are the sweet spot of growth that you're looking for, for the full year being the 6% to 8%.

Paul Anderson: Well, I don't think it's a sweet spot because the volume in the second half, Steve, are higher than the first half. So the pure math on that is if you get the same percentage increase in the second half off a higher volume based on PCP, then the resultant revenue from that, 85% of that falls straight to the bottom line.

Steve Wheen: (Jarden Group, Analyst) Yes. Okay.

Paul Anderson: But volumes, they're for the quarter, you know.

Steve Wheen: (Jarden Group, Analyst) Okay. Thank you.

Operator: Thank you. Your next question comes from Tina Vu at Morgan Stanley. Please go ahead.

Tina Vu: (Morgan Stanley, Analyst) Thanks for taking my question. Just in terms of seasonality for Pathology-based business revenue, so from fiscal '16 to '19, it was about 49% in the first half. Is it reasonable to assume a similar seasonality or something more skewed?

Paul Anderson: Are you talking - sorry, Tina, are you talking about volumes for Pathology?

Tina Vu: (Morgan Stanley, Analyst) Yes, just Pathology-base business revenue. Just looking at, I guess, the seasonality, it's been consistently across '16 to fiscal '19 about 49% in the first half. So I'm just wondering, is it reasonable to assume a similar seasonality as well in fiscal '24?

Paul Anderson: Right. Is that - looking at seasonality pre COVID, what we've seen right across not just our sector is that it has changed. So there is a split between H1 and H2, and it's probably in terms of pure volumes a little bit greater than 49% in terms of the first half. Sorry, yes, so less than 49% in the first half.

Tina Vu: (Morgan Stanley, Analyst) I mean, if you could just squeeze in one more question, and you guys shared that Healius' six months and 12 months rolling share of MBS benefits paid was about 24%. Could you also share what market share has been in the last few months not on a rolling basis?

Paul Anderson: Well, I think on - sorry, on that, Tina, the reason that we do it on a six and 12-month rolling basis is because the volumes are so volatile on a monthly basis as you guys know. So the best way to look at these is to do it on the six and 12-month basis.

Tina Vu: (Morgan Stanley, Analyst) Okay, great. Thank you.

Operator: Thank you. Your next question comes from Andrew Goodsall at MST Marquee. Please go ahead.

Andrew Goodsall: (MST Marquee, Analyst) Good morning, and apologies, a bit of a croaky voice here, but just on the growth in the number of ACCs that you've got, I would've thought you would've been investing at ACCs and taking a higher margin on those. But has there been a slower margin in the ramp up or on any other expectations change there and maybe rents are up or anything like that?

Maxine Jaquet: I'll answer that. Look, in terms of what we've cycled in the last year, Andrew, we have - our growth margin on the new ACCs has been 55%, and what has come out of the portfolio has been 35%. So we have got a greater growth margin on the cycling of our ACCs. What Paul was talking about was some

independent ACCs, which obviously have the start-up cost and the start-up phase, and we are looking forward to the '24 year for that to come through in terms of revenue.

Andrew Goodsall: (MST Marquee, Analyst) So they're new sites or sites you've taken over?

Paul Anderson: Yes, we had a net 57 new sites [in] FY23. So we just have the full year cost of that coming through in '24, and they're obviously impacted with volumes the same as every other site we have across the country.

Maxine Jaquet: Your question on rent though is a good one, and rents have definitely been higher than what we have ever seen, I think, in this sector, which I think in a world where capacity - there is too much capacity for – essentially in the market. There has definitely been more competition around rents. What we've been focused on is exactly what we have been doing before, which is focusing on our gross margin. So looking at securing obviously bigger sites and cycling out smaller sites.

Andrew Goodsall: (MST Marquee, Analyst) What would be the magnitude of the annual rent increase that you've seen?

Maxine Jaquet: About between four and five.

Andrew Goodsall: (MST Marquee, Analyst) Sorry, one final one for me, just indexation come up a few times now, do you have any updates or any response from government on that one?

Maxine Jaquet: I can't give you a dollar number at this point in time. There are two streams of activity that are going on with working with the government through Pathology Australia and directly with the government at the moment, both at the department level and also with the health minister and their advisors.

The response has been we understand the issue, it's a credible claim, and we're working directly with them on what that may look like, but no answers until we get a number in the budget, I think, which - and we won't know that till probably March of next year.

Andrew Goodsall: (MST Marquee, Analyst) Got it. Okay. Thank you very much.

Operator: Thank you. Your next question comes from Trang Tran at Airlie. Please go ahead.

Trang Tran: (Airlie, Analyst) Hi, thanks for taking my question. Can you guys hear me okay? All good?

Paul Anderson: Yes.

Trang Tran: (Airlie, Analyst) Yes. Just a quick question, on page 11 of the raise presentation, you called out the COVID impact for the first half '23 last year was about $24 million. Now if I compare that to the Group EBIT of about $40 million and work backwards, that's basically implying that for this pretty much 12-month

period, core Pathology on an EBIT level is pretty much close to breakeven. That would be the implication based on the guidance for the first half '24, is that correct?

Paul Anderson: Well, look, it's better than break even. But look, your theory's right, which goes back to the predominantly fixed cost base and Pathology that's spread across the year.

Trang Tran: (Airlie, Analyst) So can I just get one more question as well. So if I take the position of where we are today and then roll forwards a couple of like half years, going into '24, '25, you have very elevated fixed cost base inflation running through, it seems like rent's going up five, your labour, two and three, and as volume comes back you have to add more FTE and headcount back.

What's the trajectory of the EBIT margin you think that business like the core Pathology can get to? Because if I look back in 2019, it used to be a 10% margin business, and we are nowhere near that level. So I just wonder what's changed? What's the difference here?

Maxine Jaquet: Look, you're exactly right. I mean, we're in a period where we've had very little BAU volume growth and we're in a different inflationary environment that this sector has ever seen. I think Paul's explained the differences between H1 and H2, but he's also explained that this is a fixed cost base. So whilst we continue to look for efficiencies, we are not expecting to add FTE.

The FTE as Paul is talking about is in radiology as we grow that business, and that's revenue generating people. Adding ACCs and adding people in those ACCs is revenue generating. When it comes to the core of the operation, there is no intention to add FTEs.

We've published before the FTE reduction that has been taken particularly in the Pathology business, and we intend and are working on at this point in time, having a look at what our infrastructure looks like for the Pathology business in the short to medium term and looking at how can we restructure some of that infrastructure to deleverage this business. Because you are right, the fundamental industry economics are more challenging than what they were in FY19, and we will come back to the market in February with more details on that.

Trang Tran: (Airlie, Analyst) All right, thank you.

Operator: Thank you. Your next question comes from David Stanton at Jefferies. Please go ahead.

David Stanton: (Jefferies, Analyst) Morning team, and thanks very much for taking my question. Look, I'm just wondering in second half FY24, whether you're assuming any contract wins that will lead to revenue growth and hopefully profit growth as well in either Pathology or DI?

Maxine Jaquet: Yes, we are. We have one which is just about to be announced next week, which is additive to the budget that we've set out for imaging for the full year, and potentially another one in imaging as well. So a bit more detail to come on that when they are signed, they've been agreed.

In addition to that, yes, you would know David that we have the Bupa contract for tuberculosis screening. There was a - this has been a long-standing contract that we've had. In this year, for the last seven months, the government had reduced the amount of TB screening, that program, which impacted the imaging business.

That has been reversed now by them, and we are back to our original contract level, so that we expect that to be a significant pickup in the next half. There is also an additional contract, which will be announced next week with Agilex.

David Stanton: (Jefferies, Analyst) So just to summarise then please. So maybe up to three wins, I guess in inverted commas, in DI and one in Agilex is the way we should think about it for the second half?

Maxine Jaquet: Correct.

David Stanton: (Jefferies, Analyst) Okay, thank you.

Operator: Thank you. Your next question comes from Saul Hadassin from Barrenjoey, please go ahead.

Saul Hadassin: (Barrenjoey, Analyst) Yes, thanks. Good morning. Paul, I think you touched on this earlier about the drop through of revenue to EBIT in Pathology, sort of 80% to 85% based on the math you've given. So just to confirm then, if we look at your guidance for full year for EBIT, is the assumption there that effectively you're assuming maybe about $100 million of sequential revenue increase in second half ‘24 versus first half?

Paul Anderson: It is not - no. Look, it's not that much Saul. But look, you’re right. What we've guided is that 6% to 8% on BAU volumes v PCP, which we're happy to go through some more detailed numbers after this. But look, yes, you are right, but no, it's not as much as $100 million in terms of additional revenue in H2 based on that.

Saul Hadassin: (Barrenjoey, Analyst) I got my follow up with you guys afterwards.

Paul Anderson: Yes. Okay.

Saul Hadassin: (Barrenjoey, Analyst) But along those lines, I guess, so playing devil's advocate for second half, if the EBIT uplift is maybe not as significant as what you're expecting, and only the position of where net debt would get to with the pay down post the raise, are there any additional contingencies that you might have as it relates to gearing ratios as a sort of a, yes, I guess as a contingency as to what might happen in the second half?

Paul Anderson: Well, I think we're always - that's in the back of our mind. We've - and I think we've talked about this before in terms of just our general capital management, we are pulling right back on things like CapEx across the business. Yes, there's lots of things that we are doing in the business in terms of efficiencies with technology, with our rostering and our labour force in particular.

But as we have set out for you across that second half, part of that increase is Pathology volumes, in that 6% to 8% range. But a big chunk of the tick up in the second half is related to imaging and to a lesser extent Agilex as well, which both of those businesses are tracking well.

Saul Hadassin: (Barrenjoey, Analyst) Thanks. Well, just to squeeze one last one, and that's where I was going, just that CapEx expectations in the second half. Can you give us any sense of what you're thinking in terms of the dollar value that you might see? That we might see?

Paul Anderson: Look, not really. I think we've guided $40 million to $50 million of growth CapEx for the year. That's going to be significantly at the lower end of that range. We're not going to put a dollar number on it.

Janet Payne: That was maintenance capex.

Saul Hadassin: (Barrenjoey, Analyst) Okay. Thanks guys.

Operator: Thank you. Your next question comes from Mathieu Chevrier from Citi. Please go ahead.

Mathieu Chevrier: (Citi, Analyst) Hi, good morning. Thanks for taking my question. Just on the wage inflation that you're seeing, what kind of level is that at the moment? And what share of your labour cost is on EBAs modern awards and I guess market rates?

Paul Anderson: So look, I think the broad range, we had 11 EBAs that were renegotiated in ‘23, which applied to ‘24, and they would just touch under 3.5% overall. We've got three left to renegotiate this year by the end of the year. In terms of the absolute percentage of our labour costs that fall under that, well, can we come back to you on that? Give you the split against total labour?

Mathieu Chevrier: (Citi, Analyst) Yes. Okay. Then in terms of the cost inflation that you've been seeing I guess in the first half, it's really been on people being added in the radiology business rather than just inflation being higher on a per unit basis.

Paul Anderson: Yes, I think we had 25 new radiologists that Phil Lucas added to the business in FY23. We've added four new ones so far this year, and he's got another five in train. So whilst that adds to the cost base, it's obviously, we are running at end of last year, 85%, capacity in terms of those clinicians. So if you add those, there's a - just a direct margin, uplift comes from those guys because they're revenue generators.

Janet Payne: Mathieu, don't forget that we're also moving radiologists from contracts onto being employed. So they're - if you're looking at pure costs, you're going to get an increase in the labour costs purely from the moving from a contract to being employed. No impact on EBIT.

Mathieu Chevrier: (Citi, Analyst) Yes. Thank you.

Operator: Thank you. That does conclude our conference for today. Thank you all for participating, you may now disconnect your lines.

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