FY18 Half Year Results

20 February 2018

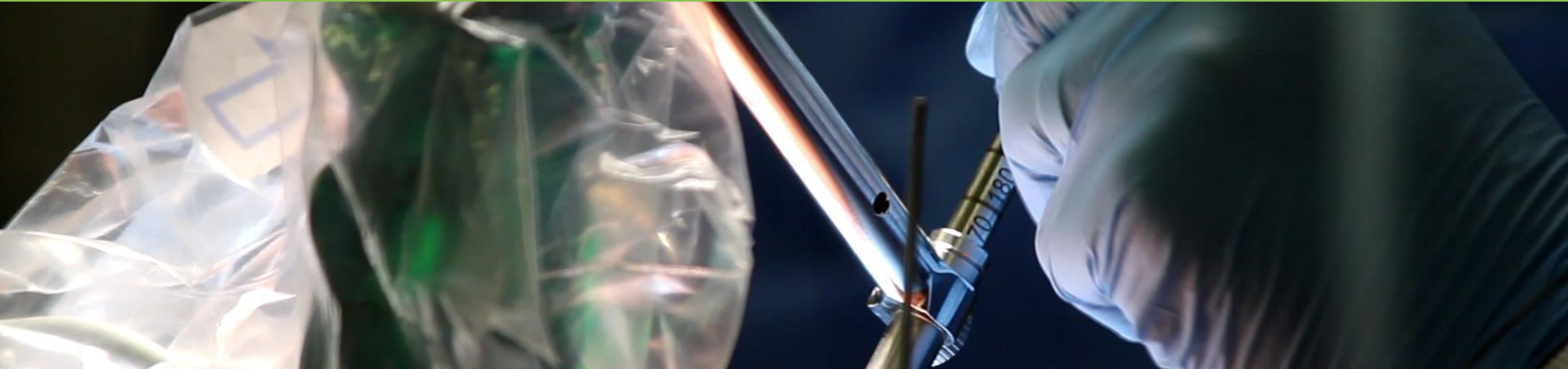
LifeHealthcare

Not your typical multinational

Matt Muscio
Chief Executive Officer

Dean Taylor
Chief Financial Officer

Kristine James
General Manager Corporate Development



Agenda

1. Highlights
2. Financial Performance
3. Update on Integration of Acquisitions
4. Scheme of Arrangement
5. Outlook
6. Appendix

Key Metrics

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Solid revenue performance for H1 FY18 with 9.3% revenue growth and strong underlying earnings growth of 9.9% and NPATA growth of 10.2% on prior comparable period

37

174
Active Surgeons(1)

27% growth from 30 June 2017

9.3%

$67.4m
Revenue

3.4% organic growth

250 bps

55.4%
Gross Margin

Uplift in AUD and mix change

9.9%(6)

$9.8
EBITDA(2)

14.6% EBITDA margin

500 bps

85.2%
Operating Cash Conversion(3)
(pcp 80.2%)

40 bps

31.0%
Working Capital
(restated pcp 31.4%)(6)

% to LTM sales

5.2%

1.82x
Leverage
(restated pcp 1.73x) (6)

Net Debt to Underlying EBITDA

84% of NPATA(5)

7.5c
Interim Dividend(4)
(pcp 6.25c)

154% of Statutory NPAT

Notes:

1. Active surgeons are surgeons who generate $50,000 or more of revenue in the LTM (including biologics) for LifeHealthcare
2. Underlying EBITDA excludes transaction costs of $0.5m (pcp $0.5m) and one-off costs of $1.4m associated with the exit of a previous orthopaedics supplier resulting from the introduction of supply of implantcast GmbH products following the acquisition of Oceania Orthopaedics
3. Cashflow from operating activities as a percentage of underlying EBITDA

Notes:

4. Interim dividend fully franked; Dividend Reinvestment Plan terminated
5. Underlying Net Profit after Tax before Amortisation excludes transaction costs of $0.5m, one-off costs of $1.4m associated with the exit of a previous orthopaedics supplier and amortisation of specifically identifiable intangibles of $0.6m
6. FY16 and H1 FY17 accounts restated due to a change in accounting policy relating to in-bound freight costs included in the cost of inventory and PP&E. This has reduced EBITDA by $0.2m and increased inventory by $0.7m for H1 FY17 from that reported in the half year ended 31 December 2016

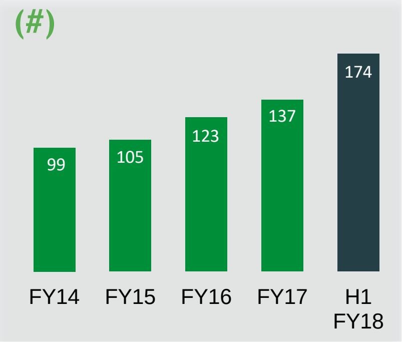
Consistent Track Record of Growth

LifeHealthcare

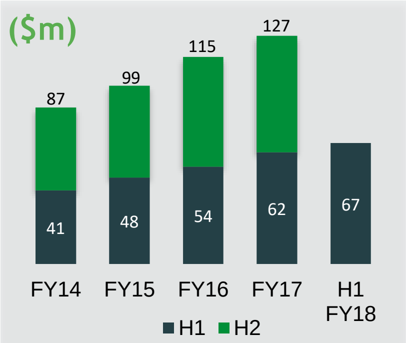
Growth delivered in the number of active surgeons, revenue, underlying earnings and NPATA EPS

- Revenue up 9.3% to $67.4m driven by strong implant growth in Spine and Orthopaedics (prior to acquisition growth), the acquisitions of Oceania Orthopaedics and Point Blank Medicals' spine services divisions, partially offset by fewer material greenfield opportunities for capital equipment relative to the prior comparable period
- Margin up by 2.5% due to improved forward hedging from uplift in AUD relative to the USD as well as mix change from increased sales in implants with higher margins
- EBITDA up 9.9% to $9.8m as a result of increased gross margin partially offset by investment in staff in key growth divisions
- NPATA EPS up 5.8% on prior comparable period impacted by shares issued during the half year from acquisition funding and the DRP

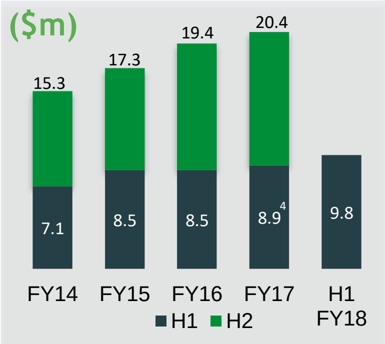
Active Surgeons[(1)]



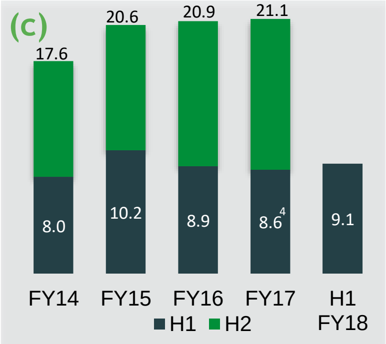
Revenue



EBITDA[(2)]



NPATA EPS [(3)]



Notes:

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4. FY16 and H1 FY17 accounts restated due to a change in accounting policy relating to in-bound freight costs included in the cost of inventory and PP&E. This has reduced EBITDA by $0.2m and NPATA EPS by 0.4c for H1 FY17 from that reported in the half year ended 31 December 2016

Highlights

LifeHealthcare

Significant progress through continued surgeon engagement and executing on strategic priorities of channel optimisation, biologics and healthcare solutions

Continued Active Surgeon Growth

- Additional 37 active surgeons in H1 FY18 bringing total to 174 active surgeons
- 14 organic new active surgeons (10.2% growth since June 2017) and 23 new active surgeons via Oceania Orthopaedics acquisition
- 23% growth in implants with above market organic growth of 12%

Leverage of MIS & 3D Printed Portfolio

- Continued market leader in 3D printed interbody spine devices, with 109% growth; significant growth in Cascadia 3D printed lateral interbody implants from K2M
- Minimally Invasive Spine system launched in December 2015 continues to take market share with over 80% growth

Continued Growth in Orthopaedics

- High single digit organic growth across complex revision, limb lengthening and limb salvage applications complimented by strong growth in synthetic biologics
- Acquisition of Oceania Orthopaedics is fully integrated taking LifeHealthcare's market share position to number two in complex lower limb orthopaedics

Momentum in Biologics

- Acquisition of Point Blank Medical's spine services division has provided entrance into over $100m allograft biologics market; acquisition exceeding expectations to date
- Continued penetration of synthetic biologics portfolio driving market share gains with Cerapedic's peptide enhanced bone graft material iFactor across spine and orthopaedics

Regulatory Stability

- Four year strategic agreement announced in October 2017 including price reductions to the Prostheses List (PL) and providing pricing certainty over medium term
- Impact of these PL changes will be a revenue reduction of 1.3% in February 2018, 0.3% in August 2018 and 1.3% in February 2020

Summary Income Statement

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Strong above market revenue growth and earnings growth with NPATA EPS growth slightly impacted by acquisition scrip and DRP

($m)	H1 FY18	Restated H1 FY17[1]	Change on pcp
Revenue	**67.4**	**61.7**	**9.3%**
Gross Margin	37.3	32.6	14.4%
Gross Margin %	*55.4%*	*52.9%*	*2.5%*
Underlying EBITDA[2]	**9.8**	**8.9**	**9.9%**
EBITDA %	*14.6%*	*14.5%*	*0.1%*
Transaction Costs	(1.9)	(0.5)	1.4
EBITDA	**7.9**	**8.5**	**(6.5%)**
Depreciation	(2.2)	(2.2)	-
Amortisation	(0.6)	(0.8)	0.2
EBIT	**5.1**	**5.4**	**(6.9%)**
Interest Expense	(1.2)	(1.3)	(7.1%)
Income Tax Expense	(1.7)	(1.4)	25.4%
NPAT	**2.2**	**2.8**	**(22.3%)**
Underlying NPATA[3]	**4.0**	**3.7**	**10.2%**
Underlying NPATA EPS (c)	9.1	8.6	5.8%
Dividend Payout % of Statutory NPAT	*154%*	*95%*	
Dividend Payout % of Underlying NPATA	*84%*	*73%*	

- 9.3% revenue growth on prior comparable period with organic growth of 3.4% (organic growth comprising 12% in implants, 7% in consumables and 3% in capital after backing out nRAH greenfield tender in H1 FY17)
- As expected gross margin increased by 2.5% from the uplift of the AUD against the USD and mix change
- Operating expenses to sales ratio increased by 220 bps on prior comparable period due to investment in staff in key growth divisions and higher cost of sale through agency model in Oceania Orthopaedics that will decline over time as sales from direct sales force increases
- Amortisation associated with identifiable intangibles decreased by $0.2m as M4 Healthcare amortisation complete and lower amortisation rates relating to Oceania Orthopaedics and Point Blank Medical's spine services division both being amortised over longer time horizon of 10 years
- Fully franked interim dividend of 7.5c; DRP terminated

Notes:

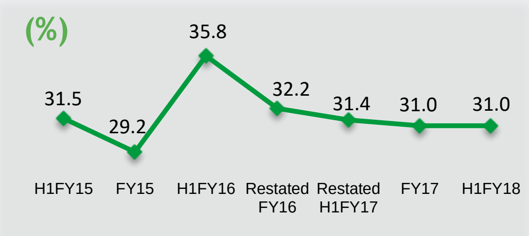
1. FY16 and H1 FY17 accounts restated due to a change in accounting policy relating to in-bound freight costs included in the cost of inventory and PP&E. This has reduced EBITDA by $0.2m for H1 FY17 from that reported in the half year ended 31 December 2016
2. Underlying EBITDA excludes transaction costs of $0.5m (pcp $0.5m) and one-off costs of $1.4m associated with the exit of a previous orthopaedics supplier resulting from the introduction of supply of implantcast GmbH products following the acquisition of Oceania Orthopaedics
3. Underlying Net Profit after Tax excludes transaction costs of $0.5m, one-off costs of $1.4m associated with the exit of a previous orthopaedics supplier and amortisation of specifically identifiable intangibles of $0.6m

Balance Sheet and Cashflow Extract

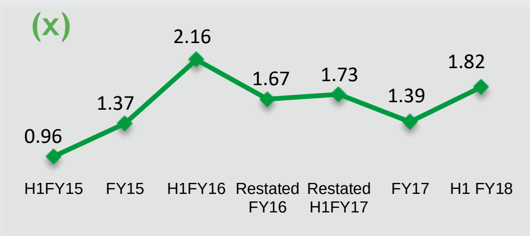
Prudent balance sheet management maintained focusing on continued improvement in underlying quality of inventory, working capital and cash conversion

($m) (extract)	H1 FY18	Restated H1 FY17[(1)]
Inventory	43.0	38.1
Trade & Other Receivables	21.7	25.0
Trade & Other Payables	(23.6)	(24.8)
Working Capital	**41.0**	**38.3**
Net Debt	**38.4**	**33.7**
Operating Cash Flow	8.4	7.3
Operating Cash Flow Conversion (on Underlying EBITDA)	85.2%	80.2%
Capital Expenditure	**6.0**	**3.3**

Working Capital to LTM Sales



Net Debt to EBITDA



- Increase in inventory relating to Oceania Orthopaedics acquisition and implant inventory to support growth
- Working capital ratio of 31.0% remains consistent and is in line with management expectations for the half year
- Strong cash conversion of 85.2% of underlying EBITDA to operating cash flows with $5.5m cash at bank
- Capital expenditure relating to tangible assets of $2.7m relates to investment in growth in Orthopaedics division following Oceania Orthopaedics acquisition and accelerated growth in Spine. $3.3m relates to intangible assets from the acquisition of Point Blank Medical's spine services division
- Net debt was 1.82x underlying EBITDA at the half year as a result of the acquisitions of Oceania Orthopaedics and Point Blank Medical's spine services division. A refinancing was undertaken in July 2017 resulting in substantial improvement in interest charges

Note:

1. FY16 and H1 FY17 accounts restated due to a change in accounting policy relating to in-bound freight costs included in the cost of inventory and PP&E. This has increased inventory by $0.7m, increased PP&E by $0.1m and reduced the deferred tax asset by $0.3m from that reported in the half year ended 31 December 2016

Update on Integration of Acquisitions

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The two acquisitions undertaken in H1 FY18 strengthen LifeHealthcare's breadth of offering in key therapeutic channels of Orthopaedics, Spine and Biologics

Oceania Orthopaedics

Orthopaedics

implantcast

- The acquisition of Oceania Orthopaedics in July 2017 has extended LifeHealthcare's offering in complex lower limb orthopaedics resulting in a number two position in this market estimated at over $45 million per annum
- Acquisition fully integrated with integration of finance and IT systems, warehousing and logistics completed in January 2018
- Introduction of 23 new active surgeons; combined teams activating cross selling opportunities across expanded surgeon base
- Strong relationship established with implantcast GmbH with a number of initiatives in place in relation to business development, surgeon engagement and new product pipeline

Point Blank Medical's spine services

Spine

Australian Biotechnologies
Life Enhancing Allografts

- The acquisition of Point Blank Medical's spine services division in October 2017 has provided entry into the bone repair allograft biologics market in Australia estimated at over $100 million per annum
- Access to over 125 surgeons using Australian Biotechnologies' allograft spinal products
- Strengthens the platform for further organic expansion of allograft biologics into other therapeutic channels
- Minimal working capital requirement and immediate leverage of LifeHealthcare's existing sales infrastructure
- Acquisition fully integrated with strong momentum following the launch of the new Allovance cortical fibres range in November

Scheme of Arrangement

LifeHealthcare

LifeHealthcare has entered into a Scheme Implementation Deed with Pacific Equity Partners under which it is proposed 100% of LifeHealthcare shares are purchased for $3.75 per share

PEP

PACIFIC EQUITY PARTNERS

- Scheme consideration of $3.75 per share in cash, less any cash amount of H1 FY18 interim dividend of 7.5c and any permitted special dividend (if declared)
- $3.75 represents:
  - 46% premium to closing price of $2.57 on 2nd February 2018
  - 44% to 1 month VWAP
  - 42% to 3 month VWAP
- Offer represents a fully diluted market capitalisation of $179 million and an enterprise value of $211 million
- The Board of Directors unanimously recommend that shareholders vote in favour of the Scheme, in the absence of a superior proposal and subject to the Independent Export concluding that the Scheme is in the best interests of shareholders

Scheme Timeline[1]

Key Deliverable	Date
Scheme Implementation Deed announced	5 February 2018
Scheme Booklet sent to shareholders	Early April 2018
Scheme Meeting	Early May 2018
Implementation of Scheme	Late May / Early June 2018

Note:

1. Dates are indicative only and are subject to change

Outlook

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Guidance for FY18 remains unchanged at high single to low double digit growth in revenue, underlying EBITDA and underlying NPATA EPS

Macro Environment

- Demand for healthcare continues to be strong, driven by an ageing population, emerging technology and rising rates of chronic disease
- LifeHealthcare's business model is well suited to address the ongoing evolution in sustainable healthcare
- Impact of Prostheses List reform now known with price certainty established for a four year period and mitigation plans in place to offset this impact

H2 FY18 Imperatives

- Expansion of coverage for Australian Biotechnologies' allograft biologics range
- Organic expansion of existing therapeutic channels and further development of acquisition pipeline in order to drive inorganic growth
- Continued focus on operational capability including investment in infrastructure supporting growth and scalability

FY18 Outlook

- Improving gross margin year on year
- Stronger AUD to USD partially offset by weaker AUD to Euro
- With H1 FY18 trading in line with expectations and PL impact mitigation identified, guidance is reaffirmed at high single to low double digit growth in revenue, underlying EBITDA and underlying NPATA EPS

Appendix

Summary Balance Sheet

LifeHealthcare

($m)	H1 FY18	Restated H1 FY17[1]
Cash	5.5	1.5
Trade & Other Receivables	21.7	25.0
Inventory	43.0	38.1
PP&E	10.8	11.3
Deferred Tax Asset	3.0	4.6
Intangible Assets	39.2	27.7
Other	-	0.8
Total Assets	**123.2**	**109.0**
Trade & Other Payables	23.6	24.8
Borrowings	43.9	35.2
Provisions	2.3	2.2
Other	2.8	1.8
Total Liabilities	**72.6**	**64.0**
Net Assets	**50.6**	**45.0**

Note:

1. FY16 and H1 FY17 accounts restated due to a change in accounting policy relating to in-bound freight costs included in the cost of inventory and PP&E. This has increased inventory by $0.7m, increased PP&E by $0.1m and reduced the deferred tax asset by $0.3m from that reported in the half year ended 31 December 2016

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