ASX Announcement

12 JANUARY 2015

TRADING UPDATE: LIFEHEALTHCARE GROUP LIMITED EXCEEDS HALF YEAR NPATA PROSPECTUS FORECAST BY 19.5%

Due to the material over performance in 1H FY2015 relative to prospectus forecast and continuing strong performance, the board of LifeHealthcare Group Limited ("LifeHealthcare") is pleased to provide a trading update in advance of its full first half results.

KEY HIGHLIGHTS

- 1H FY2015 unaudited EBITDA of $8.4 million and NPATA of $4.3 million – represent growth of 19.8% and 27.2% respectively on 1H FY2014 and exceed prospectus forecasts by 14.3% and 19.5% respectively.
- Gross margin and EBITDA margin have improved on last half and prospectus forecast, due to strong growth in the higher margin implant business and a higher margin capital product mix.
- Full year revenue growth is expected to be in the low double digit range, with EBITDA margins maintained relative to historical performance.
- Ongoing strategies to mitigate the impact of the weaker AUD:USD exchange rate have been successfully implemented during the half.

1H FY2015 UNAUDITED FINANCIAL RESULT

The following results are based on management accounts and subject to audit review and any final accounting adjustments.

A$m	1H FY15	1H FY14	Growth		1H FY15 Prosp. forecast	Difference	
			$m	%		$m	%
Revenue	48.4	42.1	6.3	15.0%	44.0	4.4	10.1%
Gross profit	26.8	22.5	4.3	19.2%	24.0	2.8	11.6%
Gross margin	*55.3%*	*53.3%*			*54.5%*		
EBITDA	8.5	7.1	1.4	19.8%	7.4	1.1	14.3%
EBITDA margin	*17.5%*	*16.8%*			*16.8%*		
EBIT	6.7	5.5	1.2	22.2%	5.8	1.0	16.7%
NPAT	4.1	3.2	0.9	28.3%	3.4	0.7	20.3%
NPATA	4.3	3.4	0.9	27.2%	3.6	0.7	19.5%

The strong performance in 1H FY2015 reflects growth across both implantable devices and capital equipment. Growth in implantable devices revenue has been achieved through an increase in the number of surgeons using LifeHealthcare's implants and increasing penetration of its products amongst both new and existing surgeons. This has been supported by a number of new product introductions and recruitment of further experienced sales staff.

Capital equipment products also experienced strong growth across the product portfolio in the Cardiology (Cardiac Ultrasound), Operating Room Capital and Neurophysiology channels. This has been achieved from both existing and new products introduced in late FY2014 and 1H FY2015.

These trends are expected to continue for both implantable devices and capital equipment and to build on the strong growth in FY2014 and 1HFY15.

The gross margin and EBITDA margin improvement relative to the previous corresponding period reflects the strong growth in the higher margin implant business and a higher margin capital product mix.

Operating cash flow at $7.0 million increased from $4.3mill in H1 FY2014, reflecting improved trading performance and the positive impact of cash receipts in July 2014 relating to several large capital sales in June 2014. $2.3 million of debt was repaid in the period as well as the payment of a $3.2 million dividend in September 2014. As at 31 December, the leverage ratio (debt to EBITDA) had reduced to 1.25x and LifeHealthcare has significant capacity to fund growth opportunities.

Daren McKennay, Managing Director and CEO of LifeHealthcare said "This is a pleasing result that reflects the strength of our existing business as well as the continued investment we have made in people and new growth segments over the last 18 months. We expect these investments to continue to support growth into the future."

LifeHealthcare expects to release its full first half FY2015 results on 25 February 2015.

FOREIGN EXCHANGE UPDATE

LifeHealthcare has a structured foreign exchange hedging policy and mitigation strategy. Any volatility in exchange rates is reduced by the long tail hedging policy which provides the business with the time required to implement mitigation strategies including price increases.

During the half a number of strategies were implemented to offset the weaker AUD:USD exchange rate, including price increases in Q2, improved trading terms and proactive management of reimbursed products. While the average hedge rate in 1HFY15 was lower than FY14, as a result of the mitigation strategies implemented there was no negative impact on gross margin in the half. The full benefit of these initiatives will be reflected beyond the H1 FY2015 period and similar strategies will continue to be implemented in forward periods to maintain underlying product margin

FULL YEAR FY2015 OUTLOOK

LifeHealthcare is continuing to experience strong sales momentum as a result of the initiatives it has taken over the past 18 months, including new product launches and recruitment of experienced sales personnel. Based on current trading and orders received to date, LifeHealthcare anticipates that revenue growth for the full year will be in the low double digit range, with EBITDA margins consistent with historical performance.

For more information, please contact:

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