



LifeHealthcare Group Limited

M4 Healthcare Pty Limited Acquisition Briefing

25 May 2015

LifeHealthcare 





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Transaction Highlights and Overview

LifeHealthcare has entered into an agreement to acquire 100% of M4 Healthcare Pty Limited (“M4”) to extend its existing presence in the Cardiac Ultrasound market into the growing Point of Care (“POC”) Ultrasound market

- ✓ LifeHealthcare has entered into an agreement to acquire 100% of M4 for a base purchase price of \$9.0m. Completion of the acquisition is scheduled to occur on Wednesday, 27 May 2015.
- ✓ This acquisition is consistent with LifeHealthcare’s growth strategy communicated to shareholders during the IPO process and in subsequent market updates, extending our existing presence in the Cardiac Ultrasound market into the fast growing POC Ultrasound market.
- ✓ M4’s revenue for twelve months to the 31 March 2015 was \$9.0m, with opportunity for further growth through market development and market share gain.
- ✓ The POC Ultrasound market in Australia and New Zealand is estimated to be approximately \$40.0m per annum in size and growing in the mid–single digit range. The trend in imaging is moving towards the POC and this acquisition creates a strong strategic position in this market for LifeHealthcare.
- ✓ The acquisition has been funded from existing debt facilities and increases LifeHealthcare’s pro forma 31 December 2014 gearing rate to 1.53x, providing sufficient headroom for further potential acquisitions.
- ✓ The acquisition will be immediately EPS accretive.

Strategic Rationale

The acquisition of M4 is consistent with LifeHealthcare’s overall growth strategy, extending existing presence in the Cardiac Ultrasound market, into the adjacent POC Ultrasound market, providing access to key new customer segments including Emergency Departments, ICU and General Anaesthesia

	Spine/Neuro	Orthopedics	Cardiology	New Channel(s)
Strategic Objective	<ul style="list-style-type: none"> Leverage our strong existing market position Continue to penetrate the market through new customers and new product introductions Move from the current #3 position into #2 aiming for #1 	<ul style="list-style-type: none"> Extend our presence in revision surgery into Primary Hip, Primary Knee and Sport Medicine, Extremities and Trauma (SET) markets Implement the same business model adopted in Spine to grow market share 	<ul style="list-style-type: none"> Leverage #1 position in Cardiac Ultrasound to enter the Coronary Intervention space Enter the Interventional Cardiology space first with Stents and then extend into other related products 	<ul style="list-style-type: none"> To add a 4th or 5th growth channel to the LifeHealthcare business Target segments with similar characteristics to the existing three growth channels
Market Size	<ul style="list-style-type: none"> ~ \$230m (Total) ~ \$60m (Deformity) ~ \$170m (Degenerative) 	<ul style="list-style-type: none"> ~ \$1.1bn (Total) ~ \$650m (Hip & Knee) ~ \$350m (SET) ~\$130m (Other) 	<ul style="list-style-type: none"> ~ \$500m (Total) ~ \$200m (Interventional Cardiology) 	<ul style="list-style-type: none"> Dental ~\$250m IVD ~ \$1.0bn Ophthalmology ~\$450m Imaging ~\$720m
Key Growth Strategy	<ul style="list-style-type: none"> Predominately organic growth strategy Consolidate strong position in the Deformity market Create leadership in motion preservation Accelerate growth in Degenerative Spine through new product introductions and investment in sales force 	<ul style="list-style-type: none"> Initial focus on organic strategy in Primary Hips Recruit 1st class sales team to implement new strategy Identify acquisition opportunities in Hip/Knee and SET 	<ul style="list-style-type: none"> Enter Interventional Cardiology space through agreement with Biosensors Build a high calibre sales team Extend the product range into related products Identify acquisitions for bolt-on opportunities 	<ul style="list-style-type: none"> Identify acquisition targets with good existing product range and sales team Implement the LifeHealthcare business model to enhance and grow the business Execute specific growth opportunities

Overview of M4 Business

M4 is a provider of POC Ultrasound systems in Australia and New Zealand with a presence in all POC market segments. M4 provides an incremental \$9m revenue to LifeHealthcare with further opportunity for growth

- Established in 2012
- Presence in all areas of POC Ultrasound market including:
 - Anaesthesia
 - ICU
 - Emergency Departments
 - Research
 - Specialty areas such as Urology, Endocrinology and Obstetrics
- Track record of supplier acquisition and new product introductions
- Growing consumables business
- Strong management team who will stay with the business
- 8 employees with 6 sales representatives; geographical coverage that is complimentary to LHC existing Cardiac Ultrasound business



Philips VISIQ tablet based system

Overview of M4 Business – POC Ultrasound Market

POC Ultrasound is the use of portable ultrasonography at a patient’s bedside for diagnostic (i.e. identification of symptoms) or therapeutic (i.e. image guidance) purposes and is used in all Ultrasound markets apart for Radiology and Cardiology hospital departments

POC Ultrasound Market			
Anaesthesia	ICU	Emergency	Specialty Segments
<ul style="list-style-type: none"> • Vascular access • Nerve blocks and pain procedures • Epidural marking • Pre anaesthesia transthoracic echo 	<ul style="list-style-type: none"> • Vascular access • Drainage procedures • Bedside transthoracic echo • Deep Vein Thrombosis • Lung and Ocular 	<ul style="list-style-type: none"> • Vascular access • Nerve blocks and pain procedures • Ectopic pregnancy • Deep Vein Thrombosis • eFAST and AAA 	<ul style="list-style-type: none"> • Urology • Endocrinology • Nephrology • Phlebology • Obstetrics • Oncology and Dialysis

Increasing uptake from doctors, nurses and allied health professionals

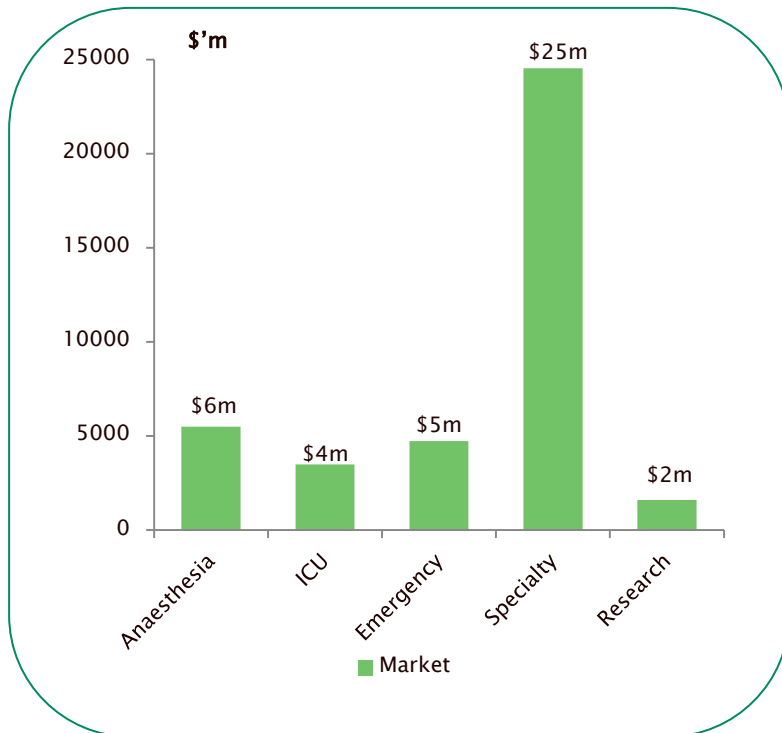
- ### POC Ultrasound Attributes
- ✓ Portable and smaller
 - ✓ Easier to use
 - ✓ Battery operated
 - ✓ Rapid start-up and load
 - ✓ Inexpensive

- ### POC Ultrasound Benefits
- ✓ Increased patient safety and customer care
 - ✓ Increased success rates
 - ✓ Lower complications
 - ✓ Real time diagnostics
 - ✓ Saves hospitals money

Overview of M4 Business – POC Ultrasound Market

The Australia and New Zealand POC Ultrasound market is estimated to be \$40m in size and growing in the mid single digit range¹. M4 currently has approx. 20% market share, with opportunity to gain further market share

POC Ultrasound Market Share by Segment¹



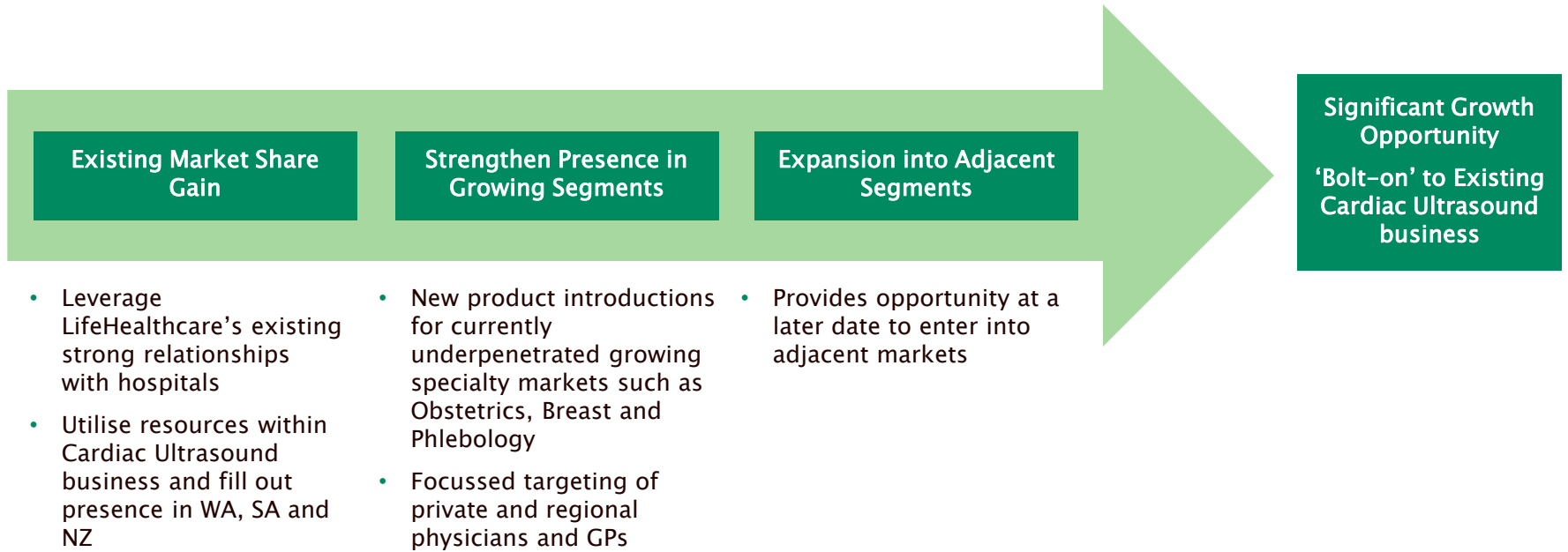
1. – Management's estimates

Factors Driving Growth in POC Ultrasound

- ✓ Miniaturisation of imaging quality and portability of equipment enables it to be brought to the bedside
- ✓ Trend to regional nerve block anaesthesia vs general anaesthesia which requires imaging in order to be performed
- ✓ Gold standard for vascular access
- ✓ Growth of procedures in Emergency Departments, i.e. nerve blocks, foreign body removal, ascites
- ✓ Important diagnostic tool in Gastroenterology for IBD and diagnosing and monitoring liver disease
- ✓ Increasing uptake by regional physicians/GPs

Overview of M4 Business – Growth Platform

Through the implementation of its existing successful business model for organic growth, the M4 business provides LifeHealthcare with the platform to take further market share in this growing segment



Underpinned by strong pipeline of new product introduction and replication of LifeHealthcare’s unique ‘EchoIQ’ and ‘VasIQ’ offering in the POC Ultrasound market

Philips VisIQ



Philips SPARQ



Terason USmart 3200T



Imacor hTEE



Transaction Highlights

The acquisition has been funded from existing debt facilities providing immediate EPS accretion whilst leaving sufficient debt headroom for further potential acquisitions

Acquisition Summary


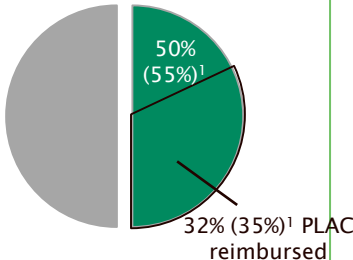
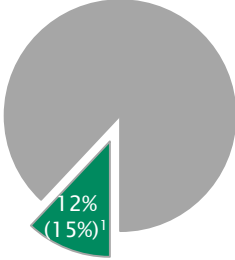
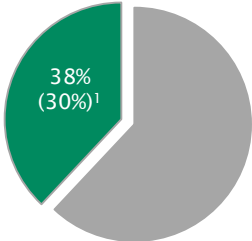
- Acquisition of 100% of the shares in M4 Healthcare Pty Limited with a base purchase price of \$9.0m
- Modest earn-out, capped at \$0.6m, on post acquisition performance to be funded from internal resources
- Acquisition via debt funding, increasing LifeHealthcare's pro forma 31 December 2014 gearing ratio to 1.53x
- Low integration risk due to similar nature of business model and products to LifeHealthcare's existing businesses

Impact of Transaction on LifeHealthcare

- The transaction will be immediately EPS accretive to existing LifeHealthcare shareholders
- Adds immediate \$9.0m of revenue at similar gross margins and operating metrics to LifeHealthcare's other capital businesses
- Creates a platform for further growth in the POC Ultrasound market
- Provides additional portfolio diversification
- Good cross segment opportunities with the existing Cardiac Ultrasound business
- Sufficient headroom in debt capacity to fund further potential acquisitions

LifeHealthcare and M4 Combined

The acquisition modestly shifts the product mix towards capital equipment further diversifying LifeHealthcare's revenue base and market segments

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	Implantable Devices	Non-implantable Devices	Capital Equipment
Description	<ul style="list-style-type: none"> • Devices surgically implanted to replace, support or enhance the existing biological structure of the body • Examples include spine and joint prosthesis 	<ul style="list-style-type: none"> • Devices used or consumed during surgical procedures • Examples include surgical instruments, suction liners and bags 	<ul style="list-style-type: none"> • Equipment that have an enduring nature and are used in either hospital operating theatre or outpatient clinical setting • Examples include cardiac ultrasound machines, specialist spine tables and associated consumables
Clinical Channels	<ul style="list-style-type: none"> • Spine surgery • Neurosurgery • Bariatrics 	<ul style="list-style-type: none"> • Spine surgery • General surgery • Neurosurgery • Surgical instruments 	<ul style="list-style-type: none"> • Cardiology and POC • Spine surgery • Orthopaedic surgery • Neurology
% of FY15E Pro forma Revenue			

¹ As last disclosed at time of IPO

Key Benefits of the Transaction

The acquisition of M4 provides a strategic entry into the POC Ultrasound market via a transaction that provides immediate EPS accretion with further opportunities for market share growth

- 1 The acquisition is consistent with the growth strategy communicated to shareholders during the IPO process and in subsequent market updates
- 2 Provides the business with a strong position in the growing POC Ultrasound market with opportunities for market share gain
- 3 Attractive deal metrics and fully debt funded
- 4 Low integration risk with management team, business model and product segment well known to LifeHealthcare
- 5 EPS accretive immediately

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