

ASX Announcement

5 June 2015

INTERVIEW ON FINANCE NEWS NETWORK - M4 HEALTHCARE ACQUISITION

Mr Daren McKennay, Chief Executive Officer and Mr Matt Muscio, Chief Operating Officer have participated in an interview with the Finance News Network in relation to the acquisition of M4 Healthcare Pty Limited which was completed on 27 May 2015 (refer announcements made to ASX).

A copy of the video titled “LifeHealthcare Expanding Through Acquisition” can be accessed on <http://lifehealthcare.com.au/about-us/investor-relations/>

A transcription of the interview is also attached.

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Transcription of Finance News Network Interview with LifeHealthcare Group Limited (ASX:LHC) Chief Executive Officer, Daren McKennay and Chief Operating Officer, Matt Muscio

Lelde Smits: Hello I'm Lelde Smits for the Finance News Network and joining me from LifeHealthcare Group (ASX:LHC) is its Managing Director and CEO, Daren McKennay and Chief Operating Officer, Matt Muscio. Daren, Matt, welcome to FNN.

Daren McKennay: Thanks for having me.

Matt Muscio: Good to be here.

Lelde Smits: Daren, LifeHealthcare Group is an independent distributor of high-end medical devices and you just tied up the acquisition of M4 Healthcare. How does the acquisition fit into the company's overall growth strategy?

Daren McKennay: The acquisition is consistent with our overall growth strategy that we communicated, both at the time of IPO and then later in market updates, where we talked about both organic and acquisitional growth. And this fits within the extension of our existing cardiac ultrasound business, to extend that into the important Point of Care market.

Lelde Smits: Daren, what are the terms of the transaction?

Daren McKennay: It was an unconditional agreement, between us and M4 that completed on the 27th of May. The acquisition price was \$9 million with a modest earn out of \$600,000, which is based on the first 12 months performance of the business.

Lelde Smits: How soon will the M4 Healthcare asset be integrated into LifeHealthcare?

Daren McKennay: Because of the familiarity with the market and the segment, because it is ultrasound, it's similar to our existing ultrasound business. We think there'll be a fairly rapid integration into the business. This is a separate market, so we'll be running the sales teams and the business separately, however, the integration will be fairly straightforward and low risk.

Lelde Smits: Thank you Daren. And Matt, what has attracted you to M4 and the Point of Care market segment?

Matt Muscio: The exciting aspects about Point of Care ultrasound are the number of patients who can benefit from the evolution of ultrasound technology into smaller more mobile units, with higher imaging quality. M4 have brought focus to this opportunity, having built a really compelling portfolio, for not only traditional users of Point of Care ultrasound with anaesthetics, emergency departments and intensive carers, but also in emerging markets with specialists and regional medicine.

Lelde Smits: What is the size of the Point of Care market and what factors are fuelling its growth?

Matt Muscio: Estimates have the Point of Care market at \$40 million, with mid-single digit growth. And that's really been driven by the recognised benefits that this technology brings to a standard of care, improved patient outcomes and efficiencies in the hospital setting. Beyond that a range of sub-specialities are taking up Point of Care ultrasound, including neurology, obstetrics, day procedures such as venous procedures for phlebology. These clinicians are recognising the benefits that Point of Care ultrasound can bring to their practice and in regional medicine, where they may not have immediate access to sonography.

Lelde Smits: Acquisition is clearly a part of your growth strategy, as mentioned before. What are the key growth opportunities you see in the Point of Care market?

Matt Muscio: M4 is a great fit for LifeHealthcare. It goes without saying that we need to work with our suppliers to stay at the forefront of Point of Care ultrasound technology. But beyond that, our growth will be driven off using the full breadth of our ultrasound offering, combined with our cardiac business to strengthen the position of the hospital market. But beyond that, to identify and educate sub-specialists and regional practitioners, in the benefits that Point of Care ultrasound can bring to their patients, in both diagnostic and therapeutic areas.

Lelde Smits: Thank you Matt. And finally Daren, how will LifeHealthcare Group pay for the acquisition, and when do you expect it to become earnings per share accretive?

Daren McKennay: The acquisition will be 100 per cent debt funded from our existing debt facilities, which will take our gearing ratio to about 1.5 times. That'll give us additional headroom in our existing facilities for further acquisitions, but fully funds this acquisition. As a result and because of the purchase price of the acquisition, we expect it to be EPS accretive from day one. And obviously, we're looking forward to growth opportunities to continue that into FY16.

Lelde Smits: Thank you Daren and Matt for the update from LifeHealthcare Group.

Daren McKennay: Thank you.

Matt Muscio: Great, thank you.

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