LifeHealthcare

ASX Announcement

26 August 2015

LIFEHEALTHCARE ANNOUNCES FULL YEAR RESULTS

LifeHealthcare Group Limited (ASX: LHC), one of Australia's leading independent distributors of high end medical devices today announced its full year results to 30 June 2015.

The Company's **GROWTH STRATEGY** continues to deliver strong performance for 2015:

- Revenue **up 13.8%** to $99.3 million
- Core EBITDA[1] **up 14.0%** to $17.4 million (Statutory $17.1m)
- Core NPATA[1] **up 17.3%** to $8.8 million (Statutory $4.3m)
- Core EPS[1] **up 17.3%** to 20.6 cps (Statutory 10.0 cps)

1. Core EBITDA & NPATA results exclude $0.3m and $0.2m (net of tax effect) respectively in transaction expenses relating to M4 acquisition and the income tax expense of $4.5m arising from the reduction in the deferred tax asset.

The above results have only one months impact of the M4 acquisition, if M4 was included for the full year, the rebased core financials would be;

- Revenue to $107.6 million
- EBITDA to $19.1 million
- NPATA to $9.4 million
- EPS to 22.1 cps

Key Highlights

- Organic growth strategy continues to deliver strong growth for the Spine/Neuro, Orthopaedics and Cardiology segments as a result of new product introductions and growth in new customers throughout FY15.
- Successful completion and integration of M4 Healthcare acquisition on 27 May 2015, providing an extension into the growing Point of Care Ultrasound market.
- The MVA acquisition announced today, provides a platform and scale to accelerate the company's growth strategy in the strategically important Interventional Cardiology segment.
- Margin was maintained through proactive management strategies including price increases, improved trading terms and management of reimbursed products.
- Improved operating cash flow increasing 54.4% from FY14 (99.4% cash conversion on EBITDA), supporting dividend payments of $6.4 million and interest and debt amortisation of $3.9 million.

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- With the full impact of the M4 acquisition in FY16 and before the impact of MVA, LifeHealthcare anticipates that revenue growth for the full year will in the mid to high teens, with underlying organic growth rates of low double digit and EBITDA margins consistent with historical performance.

Financial Statements and a Financial Results Briefing Presentation are available on the ASX Announcements Platform.

Deferred Tax Asset (DTA)

Further to our announcement on 20 August 2015 and following further advice on the matter, the company has revised the basis upon which the market value of inventory for the purposes of the tax cost base reset has been estimated. The net effect of the revision in FY15 was a non-cash increase in tax expense of $4.5 million and a reduction in deferred tax asset of $4.5 million. This revision has no impact on the revenue, operating profit before tax or underlying performance of the company and there is no impact on the historical cash tax payable.

Dividend

The Directors are pleased to declare a final dividend (unfranked) of 7.5 cents per share. This follows a 7.5 cent interim dividend paid in March 2015 (73% franked). The total dividends for FY15 of 15.0 cents, represents a payout ratio of 73% of Core NPATA.

Due to the deferred tax asset generated at the time of IPO, it is not expected that the company will be paying tax or generating franking credits in the near term. As a result, further dividends paid are not expected to be franked prior to 30 June 2017.

Medical Vision Australia (MVA) Acquisition

In addition to the recent M4 acquisition, LifeHealthcare has entered into a conditional agreement to acquire 100% of Medical Vision Australia Cardiology & Thoracic Pty Limited (MVA) for upfront consideration of approximately $9.0m. (Refer to separate announcement and briefing presentation for further detail). Completion of the Transaction is expected to occur in mid to late September 2015.

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