

ASX Announcement

26 August 2015

LifeHealthcare names Matt Muscio as its new Chief Executive Officer and Managing Director

LifeHealthcare Group Limited (ASX: LHC), one of Australia's leading independent distributors of high end medical devices today announced that after nearly 10 years at LifeHealthcare and 8 years as Chief Executive Officer, Daren McKennay will be stepping down as CEO and Managing Director. Consistent with the company's succession plan, the board is pleased to announce Matt Muscio, previous Chief Operating Officer of LifeHealthcare, as the new CEO and Managing Director.

"Daren co-founded LifeHealthcare in 2006 and became CEO in 2007. He was instrumental in the formation and execution of the strategy that created the LifeHealthcare we know today" said Mr William Best, Chairman LifeHealthcare Group. "He has been an inspirational leader and has attracted a great team to the company over the years. He guided the company through its IPO in 2013 and our performance since listing is a testament to the quality of the business he has built."

"I am thrilled to see Matt step into the role as CEO of LifeHealthcare" added Mr Best. "With Matt's successful track record in the Medical Device Industry and his strong leadership and performance as COO over the past three years, the Board is confident that Matt is the right person to lead the business".

As COO, Matt has been responsible for the company's sales, marketing and commercial operations. After joining LifeHealthcare in 2013, Matt has played a key role in helping to grow our revenue and in identifying and commencing the build out of our business in orthopedics and cardiology.

"It gives me a great deal of pleasure to stand back and see what we have created over the past 10 years" says Mr McKennay, "My greatest achievement as CEO has been in attracting the very best people. This is the real strength behind LifeHealthcare and along with the support of our customers and suppliers is the reason the business continues to have strong momentum".

"While it is with mixed feelings that the day has come for me to stand down as CEO" says McKennay, "I leave knowing that the business is well positioned for sustained growth. Matt is the right leader for the company's future and I am confident the business will continue to prosper under his leadership."

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"I am honoured and excited about taking on the role as CEO" said Mr Matt Muscio "The Company has a great culture that is at the centre of our success and has enabled us to deliver strong financial performance and growth. I am focussed on continuing LifeHealthcare's momentum through the further execution of our strategy and look forward to building on the highly successful platform that Daren has created. Along with all of the Executive Leadership Team, I thank him for his passion and guidance ~~and wish him well into the future.~~"

A summary of the material terms of Mr Muscio's employment agreement is included as Annexure 1.

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Short Bio – Matt Muscio

A strategic and operational leader with a proven track record in developing, managing and growing high performing medical device businesses. COO with both public and private experience within multinational and distributor business models. Most recently Matt was a key part of the team taking LifeHeathcare from a private equity ownership to IPO on the ASX in December 2013.

Extensive medical device experience including sales and marketing leadership, regional strategic planning, product development and operations. During his time as COO of LifeHeathcare Group Limited, Matt has overseen strong revenue and EBITDA growth whilst positioning the business for sustained performance with strategic recruitment, commercial and operational restructures and delivery of the company's new brand position.

In the years leading up to his appointment at LifeHeathcare, Matt was pivotal in growing a multinational in Australia from \$6M to \$52M, taking the business to the verge of number 1 in the Australian market for Spine fixation.

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ANNEXURE 1 - SUMMARY OF MATERIAL TERMS OF MR MUSCIO'S EMPLOYMENT CONTRACT

Name	Matthew Muscio
Position	Chief Executive Officer
Commencement Date	19 August 2015
Fixed Remuneration	\$450,000 per annum, inclusive of car allowance and superannuation contributions
Short Term Incentive (STI)	<p>Participation in LifeHealthcare's annual STI Plan.</p> <p>The maximum STI opportunity is 45% of Fixed Remuneration subject to performance against financial and qualitative targets.</p>
Long Term Incentive (LTI)	<p>Participation in LifeHealthcare's LTI Plan.</p> <p>Subject to shareholder approval, LifeHealthcare proposes to grant to Mr Muscio a total of 312,706 options (the Incentive Options) to acquire fully paid ordinary shares in LifeHealthcare under the terms of LifeHealthcare's Long Term Incentive Plan (Option Plan). The full terms and conditions of the Option Plan were released to the ASX on 5 December 2013 and may also be inspected during normal business hours at the registered office of LifeHealthcare. LifeHealthcare will seek shareholder approval for the proposed issue of the Incentive Options to Mr Muscio at its next AGM.</p> <p>The material terms and conditions attached to the Incentive Options are set out below.</p> <ol style="list-style-type: none"> The first vesting date (Vesting Date) for all Incentive Options is three years after the date they are issued to Mr Muscio (Issue Date), subject to the satisfaction of the Performance Conditions set out in item 4 below. The Incentive Options will be cancelled if they have not vested by the first anniversary of the Vesting Date in accordance with item 5 below or have not been exercised within 5 years after the Issue Date. The Incentive Options will be cancelled if Mr Muscio ceases to be employed by LifeHealthcare before the Vesting Date as a result of: <ul style="list-style-type: none"> (i) resignation; (ii) dismissal for cause or poor performance; or any other circumstances determined by the Board to constitute a "Bad Leaver" for the purposes of the Option Plan.

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	<p>4. An Incentive Option will vest and become exercisable to the extent that the following performance conditions (Performance Conditions) are satisfied:</p> <p>(a) Earnings Per Share Performance Condition:</p> <table border="1"> <thead> <tr> <th>Earnings Per Share Performance</th><th>% of Incentive Options that vest</th></tr> </thead> <tbody> <tr> <td>Below 7.0% Compound Annual Growth Rate (CAGR)</td><td>Nil</td></tr> <tr> <td>7.0% CAGR</td><td>50%</td></tr> <tr> <td>Above 7.0% to 11.0% CAGR</td><td>Pro-rated vesting on a straight line basis between 50% and 100%</td></tr> <tr> <td>At or above 11.0% CAGR</td><td>100%</td></tr> </tbody> </table> <p>(b) Share Price Performance Condition:</p> <p>If at the Vesting Date (or the Second Vesting Date, as the case may be), the price of ordinary shares in LifeHealthcare exceeds the exercise price of the Incentive Option. The share price will be determined as the volume weighted average price for the five trading days on the ASX prior to the relevant vesting date.</p> <p>5. The Incentive Options are tested against the Performance Conditions at the Vesting Date and if the Incentive Options do not vest on the Vesting Date, then the Incentive Options will be tested against the Performance Conditions on the first anniversary after the Vesting Date (Second Vesting Date). If the Performance Conditions are not satisfied on the Second Vesting Date, the Incentive Options lapse and will be cancelled.</p>	Earnings Per Share Performance	% of Incentive Options that vest	Below 7.0% Compound Annual Growth Rate (CAGR)	Nil	7.0% CAGR	50%	Above 7.0% to 11.0% CAGR	Pro-rated vesting on a straight line basis between 50% and 100%	At or above 11.0% CAGR	100%
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Notice Period	<p>Six months by either LifeHealthcare or Matt Muscio.</p> <p>Nil by LifeHealthcare in the case of material breach or serious misconduct by Mr Muscio.</p>										
Termination Payment	<p>Maximum of 6 months' Fixed Remuneration in circumstances where LifeHealthcare makes a payment in lieu of notice.</p> <p>The treatment of the Incentive Options on termination of Mr Muscio's employment is summarised above.</p>										

	No STI is payable where termination occurs prior to the end of a performance year excluding where termination occurs as a result of a bona fide redundancy in which case the Board may exercise a discretion to award a partial payment.
Post-Employment Restraint	For a period of 12 months following the termination of his employment, Mr Muscio is restricted from soliciting clients to cease doing or reduce the business they do with LifeHealthcare; accepting business from clients; soliciting employees of LifeHealthcare to terminate their employment or soliciting suppliers to cease supplying LifeHealthcare.