

ASX Announcement

26 August 2015

LIFEHEALTHCARE ANNOUNCES ACQUISITION OF MEDICAL VISION AUSTRALIA CARDIOLOGY & THORACIC PTY LIMITED

LifeHealthcare Group Limited (ASX: LHC) (**LifeHealthcare**), one of Australia's leading independent distributors of high end medical devices, today announced that its wholly-owned subsidiary, Lifehealthcare Distribution Pty Limited, has entered into an agreement, subject to certain conditions (refer below), to acquire all of the issued share capital of Medical Vision Australia Cardiology & Thoracic Pty Limited (**MVA**), a distributor in the Interventional Cardiology market specifically in Australia (the **Transaction**).

The Transaction is subject to satisfaction of a number of conditions precedent, including final completion of legal, financial and tax due diligence to the satisfaction of LifeHealthcare, LifeHealthcare obtaining debt financing to fund the purchase price, and completion of the renegotiation of the terms of the relevant contracts with MVA's key suppliers. Completion of the Transaction is expected to occur in mid to late September 2015.

The consideration payable for the Transaction will involve:

- a base payment calculated by reference to MVA's FY2015 EBITDA and the net cash held by MVA on 31 August 2015 which, based on its due diligence, LifeHealthcare estimates will be approximately \$9.0m; and
- an earn-out payment based on the financial performance of MVA in the 18 month period ending on 31 December 2016, calculated on an annualized basis, up to a maximum of \$4.0m.

LifeHealthcare's CEO, Mr Matt Muscio said "This transaction further expands our presence in the cardiology market and strengthens our portfolio of products. The acquisition of this business, if completed, will be immediately value accretive to LifeHealthcare shareholders and I look forward to welcoming the MVA team into LifeHealthcare and working with them on the future growth plans for the business."

Subject to completion occurring, this acquisition will extend LifeHealthcare's existing presence in Interventional Cardiology and introduces a broader range of Percutaneous Cardiac Intervention ("PCI") products providing both diagnostic and treatment options, specifically Intravascular Ultrasound ("IVUS") and Frequency Flow Reserve ("FFR").

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As a major supply partner to MVA, the Transaction will, if completed, also strengthen LifeHealthcare's relationship with Philips Healthcare, through its group company Volcano, in addition to other complementary PCI supplier product lines. The PCI market in Australia is estimated to be approximately \$100m in size and growing in the mid-single digit range. The trend in PCI is moving towards a combination of IVUS and FFR for improved patient outcomes, and this acquisition creates a strong strategic position for LifeHealthcare to grow the business further.

KEY HIGHLIGHTS OF THE TRANSACTION

- The acquisition of MVA is consistent with LifeHealthcare's growth strategy communicated to shareholders in the prospectus for the IPO and at subsequent market updates.
- In addition to the estimated base purchase price of approximately \$9.0m payable at completion of the Transaction described above, the vendor of MVA may become entitled to receive an earn-out payment of up to a maximum of \$4.0m depending on the level of growth of MVA for the 18 month period ending on 31 December 2016.
- MVA's revenue for the twelve month period to 30 June 2015 was \$5.8m, with the opportunity for further growth through market development and market share gain.
- The gross margin and operating metrics of MVA are consistent with LifeHealthcare's other businesses.
- The acquisition is likely to be funded from existing debt facilities provided by ANZ and, if completed, will increase LifeHealthcare's pro-forma 30 June 2015 gearing ratio (Net Debt/EBITDA) to 1.6x.
- If completed, the transaction will be immediately EPS accretive.

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