

Annual General Meeting

CEO Address

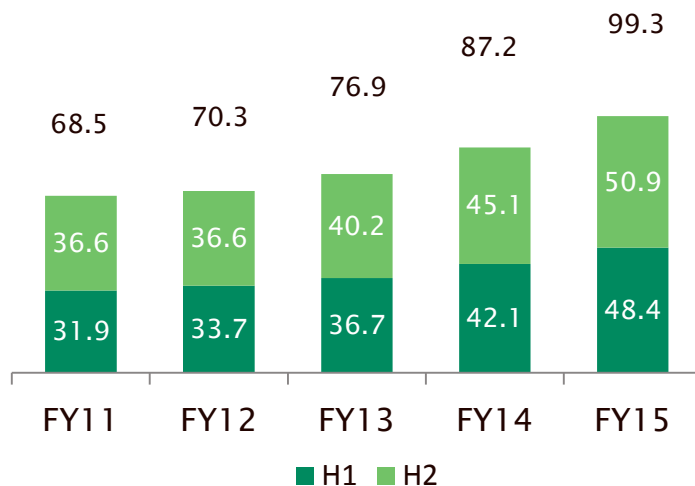
28 October 2015

LifeHealthcare 

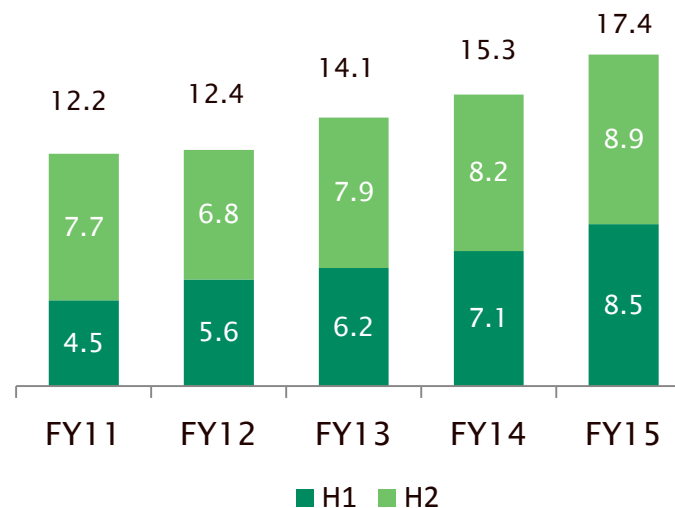


FY15 Overview

Revenue \$m



EBITDA \$m



- LifeHealthcare performed well across implantable and capital divisions in the 2015 fiscal year with revenue and EBITDA growth of \$12.1m (13.8%) and \$2.1m (14.2%) respectively
- Gross margin contribution grew \$5.6m (15.5%) with gross margin percentage maintained through proactive strategies including price increases, improved trading terms and management of reimbursed
- Organic growth strategy continues to deliver strong growth for the core segments of Spine/Neuro, Orthopaedics and Cardiology as a result of the impact of new product introductions and growth in new customers
- The successful acquisition and integration of M4 Healthcare in May extended our Ultrasound presence into the growing Point of Care Ultrasound market whilst the conditional agreement to acquire 100% of Medical Vision Australia Cardiology & Thoracic Pty Limited (MVA) accelerated our entry into Percutaneous Coronary Intervention (PCI). The MVA transaction was completed in October 2015.
- Declaration of a final dividend of 7.5 cents per share (unfranked), giving total dividends for FY15 of 15.0 cents, representing 73% of NPATA.

Operational Highlights

Continued Growth in Implants

- Net annual increase of 7 new active surgeons and 7.1% growth in average revenue per surgeon, resulting in 15.5% annual growth in revenue from implantable devices.

Ultrasound New Product and Sector Development

- Launched new Affiniti ultrasound driving market share gain in the mid range private Cardiac ultrasound segment and strong performance for this segment.

Minimally Invasive Surgery (MIS) Product

- Co-developing Minimally Invasive Spine product with key supplier to address +\$25M growth segment. Alpha launch on track for late CY15.

Acquisition of M4 Healthcare

- Acquired M4 Healthcare Pty Ltd on 27 May 2015, specialising in Point of Care Ultrasound, an adjacent channel to Cardiac Ultrasound.
- Successful completion of M4 integration into LHC by June.

Launch of 3D Printed Implantable Devices

- First implantation of 3D printed Spine devices and patient specific Orthopaedic prosthesis.
- Provides the business with strong market positioning.

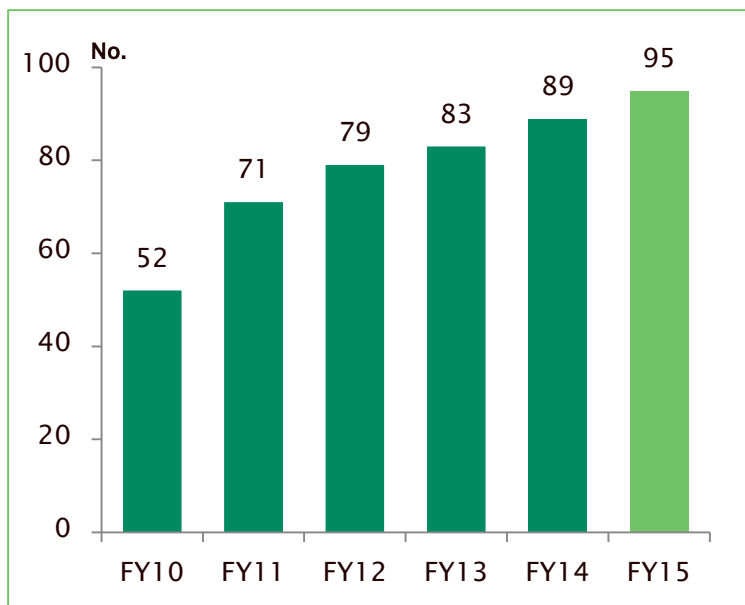
Margin Management

- Gross margin maintained in spite of FX headwind through price increases, trading terms, mix and reimbursement optimisation.

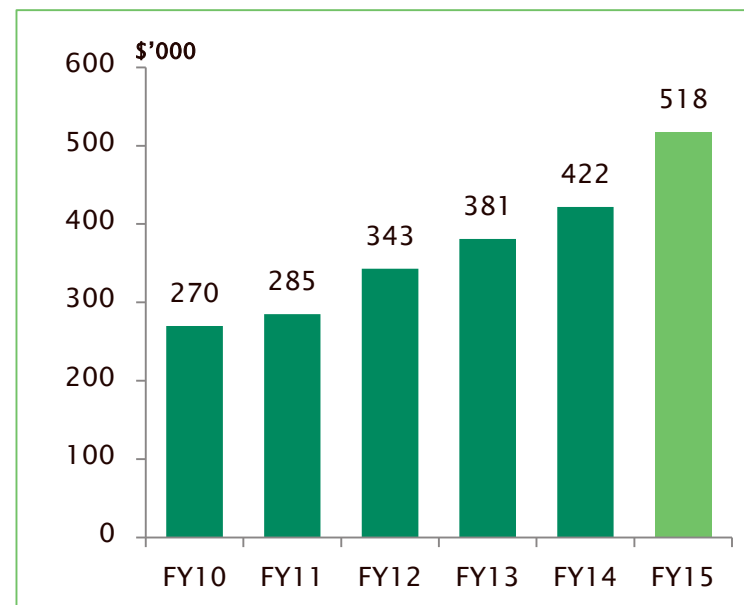
Strong Underlying Operational Performance

Increase in active surgeons and strong growth in average revenue per active surgeon resulting in 15.5% annual growth in revenue from implantable devices

Total Number of Active Surgeon Customers



Average Revenue Per Active Surgeon (\$'000)



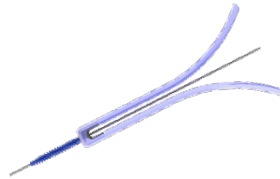
- Total revenue from implantable devices grew 15.5% in the year with an increase in active surgeons of 6.7% and strong growth in revenue per active surgeon at 22.7%, reflecting continued growth from more recent active surgeons.

Notes:

1. Active Surgeons are surgeons who generate \$50,000 or more of revenue in that period for LifeHealthcare

New Product Update

Everest Mi



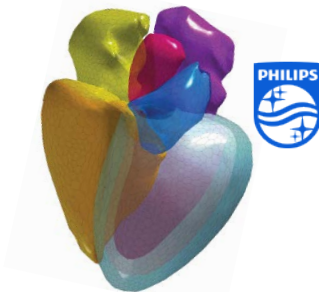
- Everest Mi, introduced in FY14, continues to enable penetration in the high growth segment of minimally invasive spine
- The portfolio will be further enhanced with the launch of Everest XT, the next generation platform co-developed with LHC and Australian surgeons in mid FY16

3D Printed Implants



- LHC lead the introduction of 3D printed titanium implants in the ANZ market in FY15 with EIT Cellular Titanium and 4WEB Truss Technology launched for Spine and Orthopaedic applications
- With reimbursement in place from September 2015 for 4WEB an extended offering has been introduced and several patient specific implant procedures were conducted for complex Orthopaedic during Q1 FY16

Philips 3D Heart Model



- The highly anticipated launch of the Philips 3D Heart Model software will occur in October 2015 offering advanced functionality across the EPIQ platform
- 8 KOL sites are established to lead the introduction of this advanced mapping tool and other customers are upgrading their platform purchases to take advantage of the free enhancement during Q2 FY15

Outlook

With the full impact of the M4 and MVA acquisitions, LifeHealthcare anticipates that full year revenue growth will be in the high teens/low twenties range with EBITDA margins remaining consistent with historical performance.

- Solid result in Q1 FY16 with implants growing strongly over FY15 as a result of new product introductions and an ongoing investment in people.
- Whilst Capital growth was softer in Q1 FY16 relative to the same period of FY15, the pipeline remains on target for the balance of year.
- Overall, stronger margins were realised through higher growth in implants and optimised Capital mix .
- With the M4 point of care ultrasound business fully integrated, opportunities are being pursued with the combined ultrasound offering, including penetration into adjacent sub specialities.
- The acquisition of Medical Vision Australia was completed in early October with the sales and operational integration of the business to be completed in Q2 FY16. Work has commenced on a pipeline of new product introductions in PCI.
- To further prepare the organisation for growth, LHC has entered into a lease extension on the North Ryde site providing an expanded warehouse facility for capital deployment/servicing and additional office space for the creation of an educational facility to deliver training for staff and Healthcare Professionals.

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