

ASX Release

25 October 2016

LifeHealthcare Group Limited (ASX: LHC) 2016 Annual General Meeting Chairman's Address

Ladies and Gentlemen, welcome to the 2016 Annual General Meeting of LifeHealthcare Group Limited.

It is 1.00pm and a quorum is present and I declare the meeting open.

My name is Bill Best, the Chairman of LifeHealthcare Group Limited and with me are:

- Matt Muscio, Managing Director and Chief Executive Officer
- John Hickey, Non-executive Director
- Donna Staunton, Non-executive Director
- Heith Mackay Cruise, Non-executive Director
- Dean Taylor, Chief Financial Officer and Company Secretary

We also have with us today, Shannon Maher of PricewaterhouseCoopers, our company's auditors.

Before we begin formal proceedings, I would like to address you all on the financial year 2016 results and on changes we have made to our Board and Board committees.

Financial year 2016 was a difficult year for LifeHealthcare with the departure of both our previous CEO and CFO and a disappointing first half result. There were a number of factors which contributed to this including reform agendas across healthcare and a softening in surgical procedures. In addition to this we experienced delays in key product launches and phasing differences across capital divisions. The sum of these issues led to a significant share price decline after we announced our half year results.

The second half result did however meet market expectations and saw our share price rally. Our focus over the year has been to continue to drive both organic and inorganic growth, and we were successful in doing this delivering double digit growth rates with revenue up 15.6% to \$114.8 million and underlying EBITDA up 11.6% to \$19.3 million.

> Not your typical multinational

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Some of the highlights of the year include:

- Implant growth driven by accelerated new surgeon growth of 17%, coupled with new product introductions. LifeHealthcare launched the Everest XT next generation minimally invasive spine system, co-developed with a key supplier and four leading Australian surgeons.

LifeHealthcare also expanded its 3D printed implant portfolio, leading the market in 3D interbody spine devices and assisting Australian surgeons to perform patient specific custom procedures for limb salvage.

- The acquisition and integration of Medical Vision Australia Cardiac and Thoracic in October 2015 extends LifeHealthcare's presence in Interventional Cardiology, enabling future entry into other interventional market sub segments of cardiology and peripheral vascular therapies. In addition, the integration of M4 Healthcare has established LifeHealthcare's Ultrasound portfolio as the most comprehensive across Cardiac, Vascular and Point of Care applications. Both acquisitions have now been fully integrated and are a strong strategic fit for our company, increasing the breadth of offering and delivering established sales infrastructure in key therapeutic channels.
- LifeHealthcare achieved further spinal robotics penetration following the placement of two Mazor Renaissance spinal robotics units. This technology platform enables increased accuracy in spine screw implantation and provides a strong product synergy with our spine business.
- Finally, the establishment of long term supply agreements with RTI Surgical and MiMedx providing foundation allograft and amniotic Biologic tissue portfolios for Spine, Orthopaedics, Plastics and Wound Healing.

I am pleased to report that prudent balance sheet management ensured the commitments made following the half year result were delivered at the full year with working capital as a percentage of last twelve months revenue reduced from 35.7% to 31.4%, our leverage ratio reduced from 2.26x to 1.69x and cash conversion for the second half of 99%, resulting in 52% cash conversion for the full year.

I would like to acknowledge our management team, including our new CEO Matt Muscio and new CFO Dean Taylor, both appointed in the first half of the financial year, for their efforts in delivering this result.

The Board was pleased to announce an unfranked dividend of 7.5 cents per share, bringing dividends for the year to a total of 12.5 cents per share and representing 60% of net profit after tax and before amortisation (NPATA) which is consistent with the Board's intention to pay dividends in the range of 50% – 70% of NPATA.

We welcomed Heith Mackay-Cruise as an independent non-executive director to our Board during the year. Heith was appointed on the 25th of November 2015 and complements the Board's skills bringing a wealth of experience in direct to consumer and technology based businesses.

A remuneration committee was also established in April 2016 to assist and advise the Board on matters relating to compensation and remuneration of employees and directors. The committee is chaired by Donna Staunton and Heith Mackay-Cruise will be joining the committee to form a majority of independent non-executive directors.

As you would be aware, on 19 October 2016 a price cut to select areas of the Prostheses List was announced. These were a cut of 10% to Cardiac Devices and Intra-ocular Lenses and a 7.5% cut to Hips and Knees. These cuts will likely take effect from 20 February 2017 although LifeHealthcare does not provide products in these categories on a material basis. Our CEO will address these reforms in more detail shortly.

LifeHealthcare continues to be well positioned for growth through expansion of active surgeons, new product introductions and continued leverage of our acquisitions.

On behalf of the Board I would like to thank the employees, customers, supply partners and shareholders of LifeHealthcare for their continued support. We have a highly skilled and experienced management team, led by CEO, Matt Muscio, who like all of us is absolutely focussed on the ongoing success of our company.

I would now like to invite the Managing Director and CEO of the Company, Matt Muscio, to address the meeting. We will take questions at the conclusion of the CEO's presentation and before formal proceedings begin.

Ends



Bill Best
Chairman

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