

ASX Release

23 August 2016

LifeHealthcare Group Limited Announces Solid FY16 Results

LifeHealthcare Group Limited (ASX: LHC) announces its full year results for the year ending 30 June 2016.

Financial Results

LifeHealthcare delivered a solid performance for FY16 with 15.6% revenue growth on prior year to \$114.8 million and underlying EBITDA growth of 11.6% on prior year to \$19.3 million.

The key contributors to these results were:

- Integration and consolidation of revenues from strategic acquisitions in Interventional Cardiology (MVA) and Ultrasound (M4 Healthcare).
- Implant growth driven by accelerated new surgeon growth of 17% (16 new active surgeons) coupled with new product introductions in minimally invasive spine and patient specific orthopaedic solutions.
- Further spinal robotics penetration following the placement of two Mazor Renaissance spinal robotics units.
- Strong share penetration from existing Biologics portfolios in spine and general surgery.

Underlying NPAT of \$7.8 million up by 95% on prior year of \$4.0 million (FY15 impacted from DTA revaluation of \$4.5 million).

Prudent balance sheet management has seen improvements from H1 FY16 in working capital, cash conversion and net debt. The net working capital ratio of 31.4% to sales is in alignment with historical levels and there has been strong cash conversion of EBITDA to operating cash flows in H2 FY16 of 99% (52% for the full year FY16). Net debt leverage improved following the two debt-funded acquisitions, closing at 1.69x underlying EBITDA.

> Not your typical multinational

Key Highlights

- Acquisition and integration of Medical Vision Australia Cardiac and Thoracic in October 2015 has extended LifeHealthcare's presence in Interventional Cardiology and enables future entry into structural heart and peripheral vascular market sub segments.
- Integration of M4 Healthcare has established LifeHealthcare's Ultrasound portfolio as the most comprehensive across Cardiac, Vascular and Point of Care applications with synergies realised and several major greenfield tenders won.
- Launch of Everest XT next generation minimally invasive spine system, co-developed with a key supplier and with four leading Australian surgeons.
- Expansion in 3D printed implant portfolio with LifeHealthcare leading the market in 3D interbody spine devices and assisting Australian surgeons to perform patient specific custom procedures for limb salvage.
- Establishment of long term supply agreements with RTI Surgical and MiMedx providing foundation allograft and amniotic tissue portfolios for Spine, Orthopaedics, Plastics and Wound Healing.

Strategic Priorities

As LifeHealthcare embarks on its fourth financial year as an ASX listed entity and expands its strategic horizon to new channels and healthcare solutions, our focus is on delivering against the following strategic priorities.

- **Organisational Efficiency and Effectiveness:** LifeHealthcare will drive automation and improvements to systems and processes to deliver increased efficiencies, providing leverage on operating expenses and enhancing business model robustness.
- **Channel Optimisation:** LifeHealthcare will increase market share in existing therapeutic channels through the introduction of innovative, efficacious technologies which deliver value for consumers and clinicians, whilst leveraging existing sales infrastructure.
- **Biologics Growth:** LifeHealthcare will pursue a three stage approach in establishing a market leading Biologics channel, initially focusing on allograft sub segments closely aligned with existing implant businesses before expanding into wound healing and then advanced regenerative biologics including bio print and bio fabrication.
- **Develop Solutions to Address Changing Needs of Healthcare:** LifeHealthcare will develop solutions that address evolving healthcare needs including evidence based medicine, health economics, connectivity, pre and post operative care.

Outlook

The long term demand drivers in healthcare remain strong underpinned by an ageing population, rising chronic care requirements and positive surgical procedure growth.

There have been a number of government reforms announced in the healthcare industry including the Private Health Insurance review announced in FY2016. Analysis of LifeHealthcare pricing for all Prosthesis List products indicates only a 3% variation between public and private pricing on a weighted average basis.

The business continues to be well positioned for growth through expansion of active surgeons, new product introductions and continued leverage of its acquisitions made in FY2015 and FY2016. LifeHealthcare expects FY17 revenue growth to be in the mid to high single digits representing a sustained above market performance with low to mid single digit EBITDA growth.

Dividend

A final dividend (unfranked) of 7.5 cents per share has been declared for FY16 bringing total dividends for the year of 12.5 cents per share. This represents a payout ratio of 71% of statutory NPAT (60% of NPATA).

Financial Highlights

(\$m)	FY16	FY15	Change on pcp
Revenue	114.8	99.3	15.6%
Gross Margin	64.0	55.9	14.5%
<i>Gross Margin %</i>	55.7%	56.3%	(0.6%)
Underlying EBITDA¹	19.3	17.3	11.6%
<i>EBITDA %</i>	16.8%	17.4%	(0.6%)
Depreciation	3.8	3.0	26.9%
Amortisation	1.7	0.8	112.5%
Underlying EBIT	13.8	13.6	1.5%
Interest Expense	2.3	1.6	48.8%
Income Tax Expense	3.7	8.0	(53.6%)
Underlying NPAT	7.8	4.0	95.0%
Statutory NPAT	7.5	3.7	102.2%
NPATA²	8.8	8.7	1.4%
Statutory NPAT EPS (c)	17.6	8.7	
NPATA EPS (c)	20.8	20.5	
DPS (c)	12.5	15.0	
<i>Payout % of Statutory NPAT</i>	71%	172%	
<i>Payout % of NPATA</i>	60%	73%	

Notes:

- Underlying results excludes acquisition transaction costs of \$0.3 million.
- FY16 underlying NPATA adds back to NPAT amortisation of acquisition identifiable intangibles. FY15 underlying NPATA adds back, in addition to that in FY16, DTA of \$4.5 million.

Ends

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