

FY16 Full Year Results

23 August 2016

Matt Muscio
Chief Executive Officer

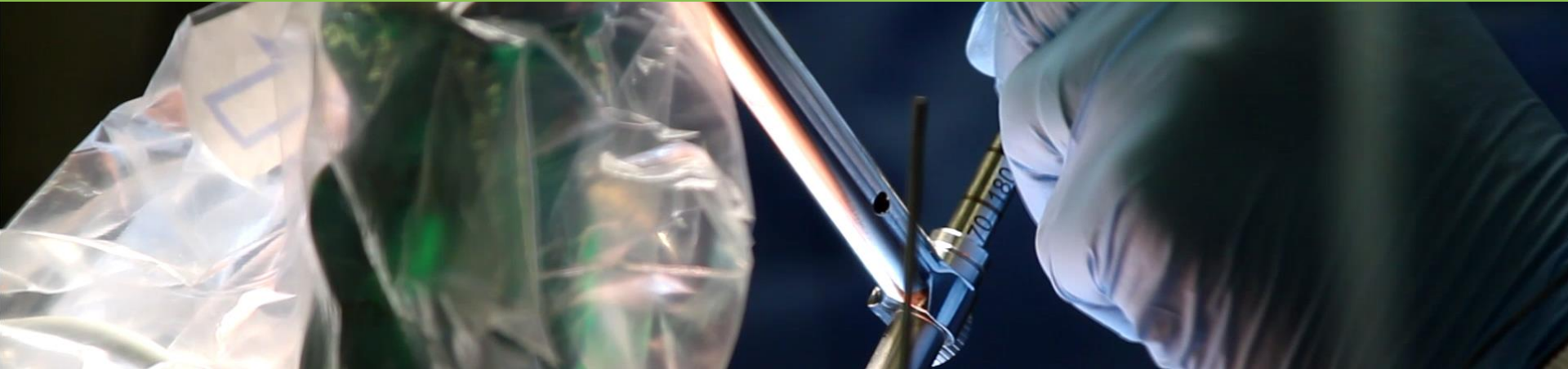
Dean Taylor
Chief Financial Officer

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General Manager Corporate Development

LifeHealthcare

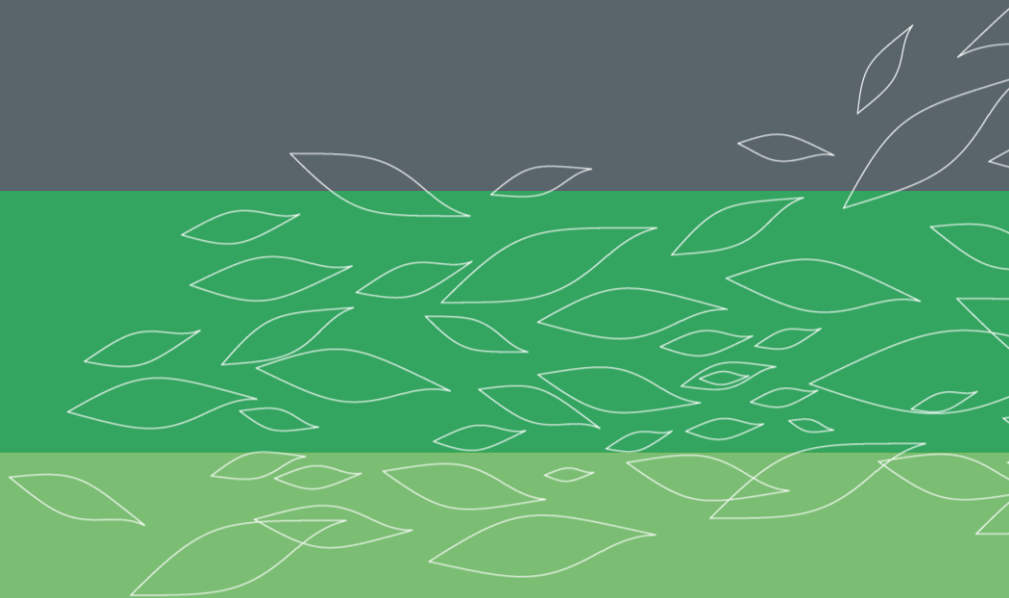


➤ Not your typical multinational



Agenda

1. Highlights
2. Financial Performance
3. Update on Integration of Acquisitions
4. Update on Private Health Insurance Review
5. Focus on Delivering Growth
6. Strategy
7. Outlook
8. Appendix



Key Metrics

A solid performance for FY16 with 15.6% revenue growth on prior year



111
Active Surgeons
17% growth on FY15



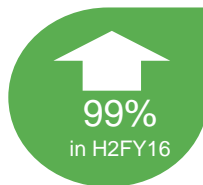
\$114.8m
Revenue



55.7%
Gross Margin



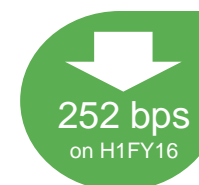
\$19.3m¹
EBITDA



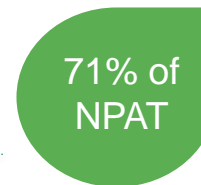
52%
Cash Conversion



31%
Working Capital
% to LTM sales



1.69x
Leverage
Net Debt to EBITDA



12.5c
FY16 Dividend
7.5c Final Dividend²

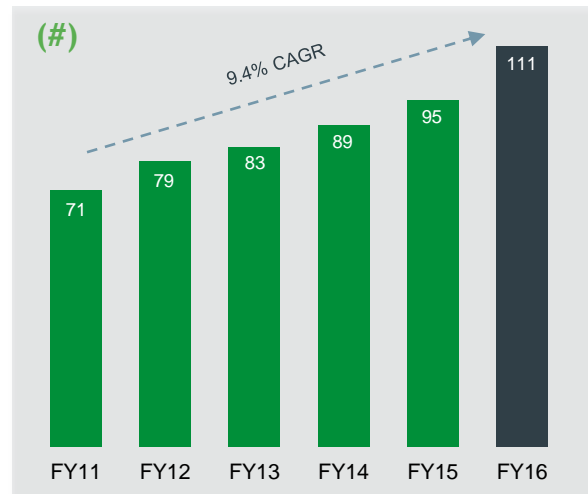
Notes:

1. Underlying EBITDA excludes acquisition transaction costs
2. Final dividend of 7.5 cents 100% unfranked

Consistent Track Record of Growth

Delivering consistent growth in the number of active surgeons, revenue and earnings

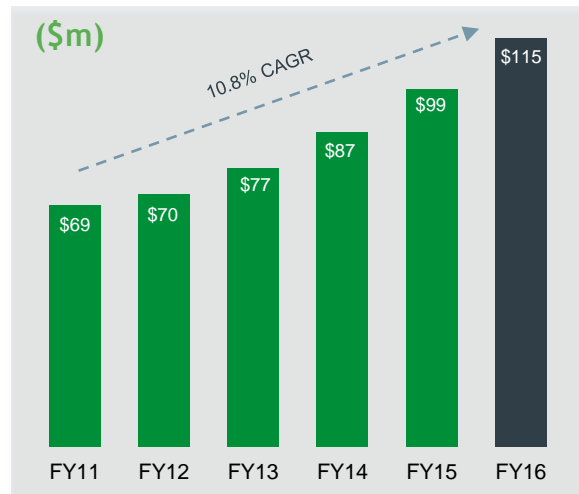
Active Surgeons¹



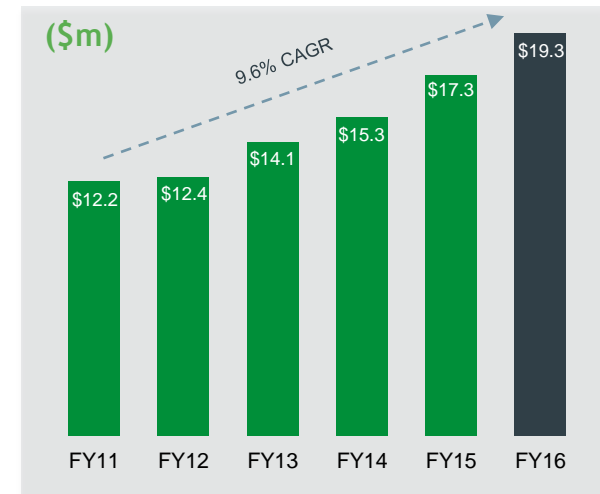
Revenue per active surgeon (\$'000)



Revenue



EBITDA²



Notes:

- Active surgeons are surgeons who generate \$50,000 or more of revenue in that period (excluding biologics) for LifeHealthcare
- Underlying EBITDA excludes acquisition transaction costs in FY15 and FY16

Significant progress through growth and innovation

Integration of M4 and MVA

- Both acquisitions fully integrated and synergies realised
- Leveraging combined cardiology and ultrasound portfolios

Accelerated New Surgeon Growth

- Continued above market growth in Spine through new product launches and robotics penetration
- Strong growth from Orthopaedics in complex lower limb reconstruction market

Launch of MIS in Spine

- Everest XT minimally invasive spine system launched in December 2015 providing access to high growth \$25m market segment
- 93 cases performed in FY16 across 21 surgeons

Biologics Progress

- Long term Biologics supply partnerships established with RTI Surgical and MiMedx providing foundation allograft and amniotic tissue portfolios for Spine, Orthopaedics, Plastics and Wound Healing
- Launched in New Zealand and TGA approvals for Australia progressing to plan

3D & Patient Specific Technology

- Expansion of 3D printed portfolio for Spine and Orthopaedics
- 14 patient specific Orthopaedic cases for limb salvage performed in FY16 through use of 3D printed technologies

Robotics Penetration

- Further penetration in robotics market with units installed in Victoria and Tasmania
- Established spinal robotics sites realising enhanced surgical accuracy, hospital efficiencies and enabling implant pull through

Summary Income Statement

Full year revenue and earnings growth strengthened by H2 FY16 growth and expense management

(\$m)	FY16	FY15	Change on pcp
Revenue	114.8	99.3	15.6%
Gross Margin	64.0	55.9	14.5%
Gross Margin %	55.7%	56.3%	(0.6%)
Underlying EBITDA¹	19.3	17.3	11.6%
EBITDA %	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%
NPATA²	8.8	8.7	1.4%
NPATA EPS (c)	20.8	20.5	
DPS (c)	12.5	15.0	
Payout % of Statutory NPAT	71%	172%	
Payout % of NPATA	60%	73%	

- 15.6% revenue growth on FY15, meeting guidance provided at the half year of \$113 million to \$116 million. Organic growth of 5.9%
- Gross margin affected by mix impact of acquisitions and ongoing deterioration of AUD, partially offset by price increases and supplier trading terms
- Depreciation increased due to increased instrument kit investments across FY15 and FY16, supporting revenue growth
- Amortisation increased due to acquisitions identifiable intangible assets being amortised over remaining life of supplier contracts (average 2 years)
- Interest Expense increased from additional bank debt for acquisitions of M4 and MVA
- Statutory NPAT/EPS in FY15 impacted from DTA revaluation of \$4.5 million (net of tax)

Notes:

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

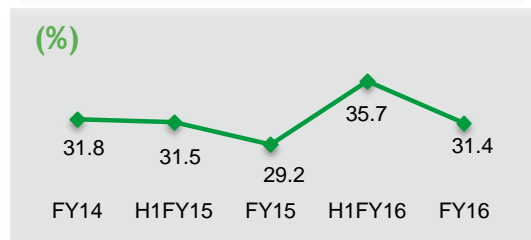
➤ Balance Sheet and Cashflow Extract

Prudent balance sheet management with improved working capital, net debt and cash conversion

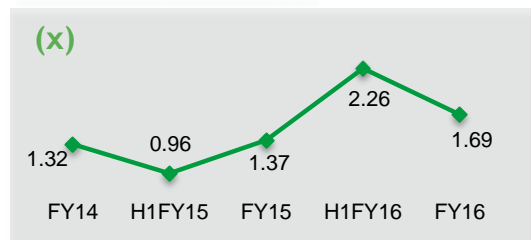
(\$m) (extract)	FY16	FY15
Inventory	35.4	30.5
Trade & Other Receivables	24.8	17.1
Trade & Other Payables	(24.2)	(18.6)
Net Working Capital	36.0	29.0
Net Debt¹	32.6	23.6
Operating Cash Flow	10.1	15.3
Operating Cash Flow Conversion (on EBITDA)	52.4%	88.6%
Capital Expenditure	5.1	4.2

- Improvement in underlying inventory quality, offset by increased cost to land from weaker AUD. Inventory balance reduced from H1 FY16
- Net working capital ratio of 31.4% to sales in alignment with historical levels
- Receivables and payables increased from Q4 FY16 revenue achievement, supporting continued strong cash flows in Q1 FY17
- Strong cash conversion of 99% of EBITDA to operating cash flows in H2 FY16 with \$4.1 million cash at bank at year end
- Capital expenditure higher from increased investment in instrument kits to support revenue growth
- Net debt leverage improvement from H1 FY16 closing at 1.69x underlying EBITDA

Net Working Capital to LTM Sales



Net Debt to EBITDA



Notes:

1. Borrowings are inclusive of utilised overdraft facility

➤ Update on Integration of Acquisitions

Acquisitions integrated and strong strategic fit



Spine



Neurosurgery



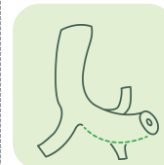
Orthopaedics



Ultrasound



Laparoscopic



Interventional
Cardiology



Neurophysiology



Theatre Capital



Surgical
Instruments

Comprehensive Ultrasound Portfolio

- The acquisition of M4 Healthcare in May 2015 has extended LifeHealthcare's market leading ultrasound portfolio from specialised Cardiac and Vascular into Point of Care ultrasound applications
- Expanded portfolio provides unparalleled offering for major greenfield developments and positions business to harness uptake of enabling diagnostic imaging across medical sub-specialities
- Combined Cardiac and Point Of Care ultrasound team activating cross selling opportunities and providing synergies

Increased Interventional Cardiology Presence

- The acquisition of Medical Vision Australia has extended LifeHealthcare's presence in Interventional Cardiology
- Additional products launched during FY16 including proprietary iFR diagnostic technology from Volcano (Philips)
- Established market presence provides foundation for entry into structural heart and peripheral vascular sub-segments

➤ Update on PHI Review

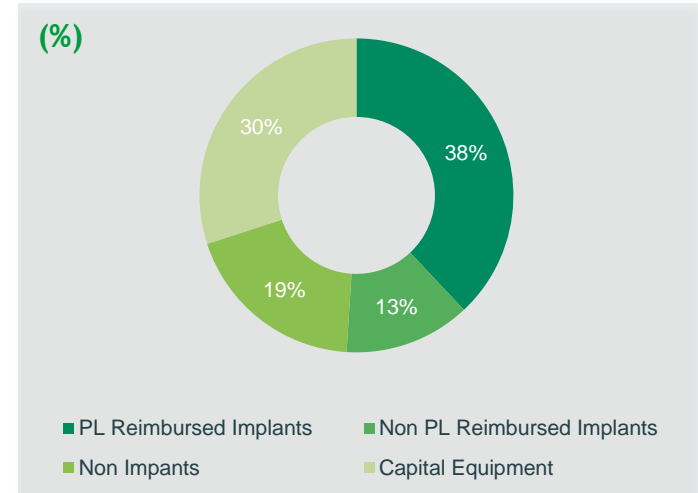
LifeHealthcare public/private price variation of 3% with no material exposure to initial focus areas

- Industry Working Group identified initial focus on areas of Cardiac Rhythm Management, Cardiac Stents, Intra-ocular Lenses, Primary Knee Replacement and Primary Hip Replacement
- Announced no cut to August 2016 Prosthesis List however review of initial focus areas anticipated in February or August Prosthesis List updates for 2017

Implications for LifeHealthcare

- Approximately 38% of revenue derived from the Prosthesis List across Spine, Orthopaedics, Neurosurgery, Biologics and Bariatric devices
- Analysis of LifeHealthcare pricing for all Prosthesis List products in FY16 indicates a 3% variation between private and public markets on a weighted average basis
- LifeHealthcare does not currently compete in the initial focus areas on a material basis

LifeHealthcare Revenue Breakdown



Source: LifeHealthcare FY16 revenue

➤ Surgeon Engagement Driving Growth

Leveraging procedural growth to expand active surgeon user base and sustain market share penetration

Ageing Population



Surgical Procedure Growth

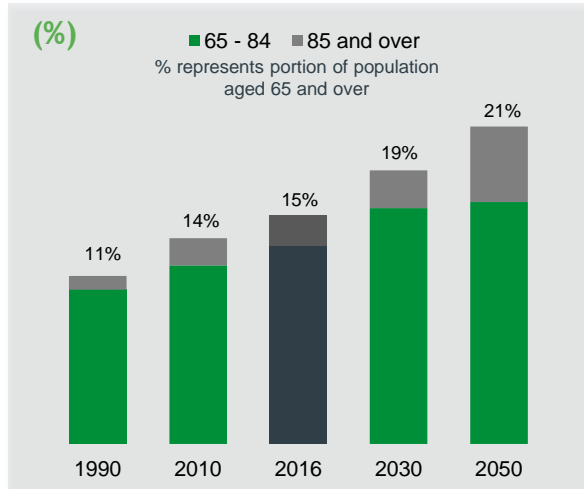


Surgeon Engagement



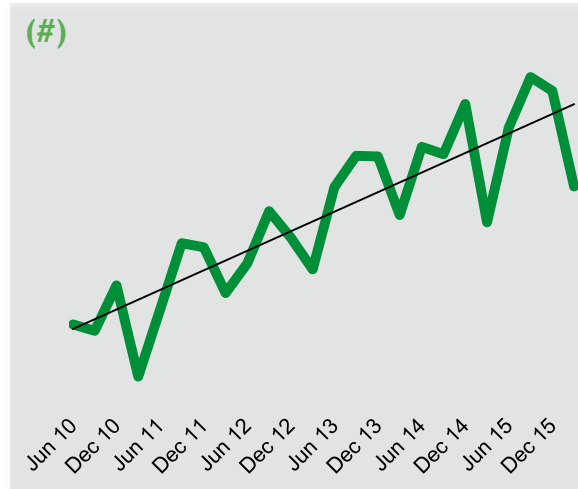
Active Surgeon Growth

Australian Population 65 & Over



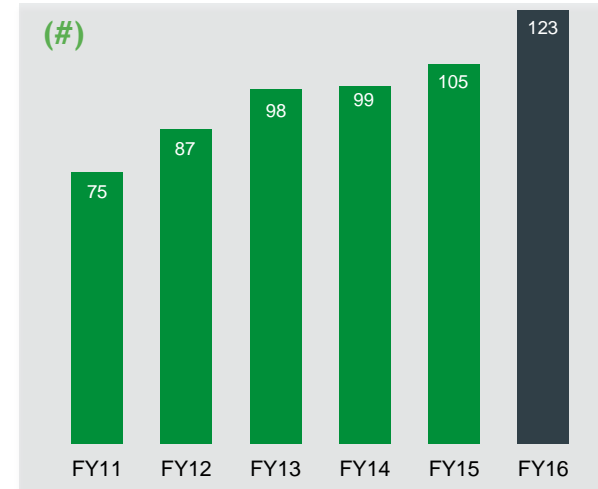
Source: Australian Bureau of Statistics (latest projection date as at 2012)

Surgical Procedure Volumes



Source: APRA – total surgical procedures in private healthcare

Active Surgeons (Including Biologics)



➤ New Product Launches Driving Growth

14 major products launched in FY16 generating revenue in excess of \$5.5m



➤ Trios Specialist Operating Table



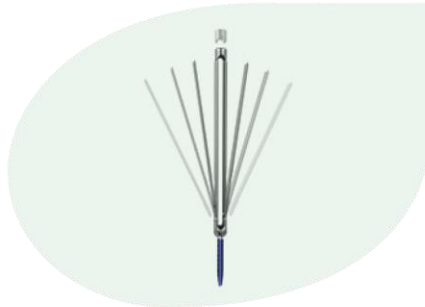
➤ 3D Printed and Patient Specific Implants



➤ OxiPlex AP Adhesive Gel



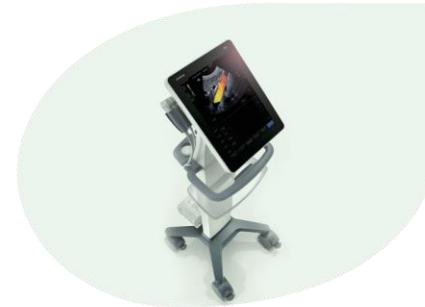
➤ Nico Myriad



➤ Everest MIS XT



➤ Precise Limb Lengthening Nail



➤ Mindray TE7

Investment in Biologics Driving Growth

Investment in Biologics positioned to deliver material growth from FY18

\$155m

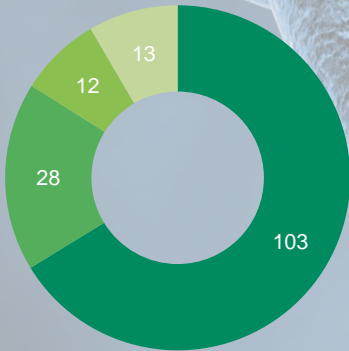
ADRESSABLE MARKET

Foundation partnerships established with RTI Surgical and MiMedx

Dedicated sales and marketing resources in place

Initial launch in New Zealand during FY16 with TGA approval in Australia progressing to plan

(\$m)



■ Bone Repair ■ Soft Tissue ■ Liquids ■ Hernia Repair

Source: LifeHealthcare estimates

LifeHealthcare Strategic Priorities

Strategic priorities aligned with LifeHealthcare's vision of connecting Australian and New Zealand healthcare professionals with innovative and tailored health solutions to make a real difference to people's lives

Organisational Efficiency & Effectiveness



Driving automation and improvements to systems and processes to support the business

Channel Optimisation



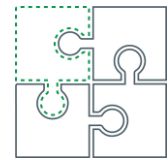
Increasing market share and providing greater breadth of offering in therapeutic divisions

Biologics Growth



Three phased approach to expand into emerging Biologics technology

Develop Solutions to Address Changing Needs of Healthcare



Addressing healthcare needs including healthcare economics, connectivity, pre and post operative care etc.

Delivering strong sustainable shareholder value over time

Positioned to deliver sustained above market growth

- Solid above market revenue growth expected to be maintained through expansion of active surgeons across implant channels and continued leverage of acquisitions
- Channel investment poised to drive future growth with PHI related price adjustments anticipated from FY18 onwards
- Price increases and improved supplier purchasing terms partially offset gross margin impact from sustained foreign exchange rate deterioration and mix
- Investment in systems and processes to deliver increased efficiencies providing leverage on operating expenses and enhancing business model robustness
- Prudent balance sheet management with improved working capital ratios, positive cash conversion and debt repayment
- Consistent approach to dividend distribution with 50-70% payout of NPATA

MID TO HIGH SINGLE DIGIT REVENUE GROWTH

FY17 revenue growth expected to be in the mid to high single digits representing a sustained above market performance

Low to mid single digit EBITDA growth. EBITDA impacted by weaker USD/AUD, outlook assumes average rate in FY17 of 73 cents

Appendix



Reconciliation of Underlying to Statutory Results

(\$m)	FY16	FY15	Change on pcp
Underlying EBITDA	19.3	17.3	11.6%
Transaction Costs ¹	(0.3)	(0.3)	-
Statutory EBITDA	19.0	17.0	11.5%
Depreciation	3.8	3.0	26.9%
Amortisation	1.7	0.8	112.5%
Interest Expense	2.3	1.6	48.8%
Statutory Profit Before Tax	11.2	11.6	(3.4%)
Income Tax Expense	3.7	8.0	(53.6%)
Statutory NPAT	7.5	3.7	102.2%

Notes:

1. FY16 transaction costs of \$337k relate to the acquisition of Medical Vision Australia in October 2015. FY15 transaction costs of \$295k relate to the acquisition of M4 Healthcare in May 2015

➤ Summary Balance Sheet

(\$m)	FY16	FY15
Cash	4.1	6.0
Trade & Other Receivables	24.9	17.1
Inventory	35.4	30.5
PP&E	10.1	9.6
Deferred Tax Asset	6.1	8.3
Intangible Assets	28.4	21.6
Other	0.8	2.4
Total Assets	109.8	95.5
Trade & Other Payables	24.2	18.6
Borrowings	36.7	29.6
Provisions	2.2	2.4
Other	3.2	1.8
Total Liabilities	66.3	52.4
Net Assets	43.5	43.0

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