



# LifeHealthcare

> Not your typical multinational

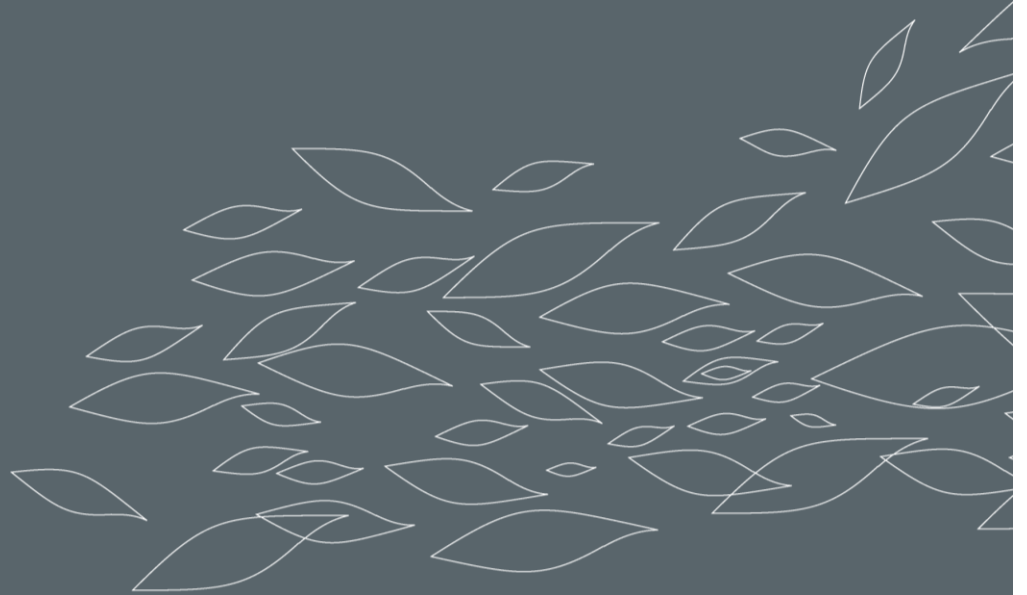
## 2016 Annual General Meeting

25 October 2016

Matt Muscio  
Chief Executive Officer



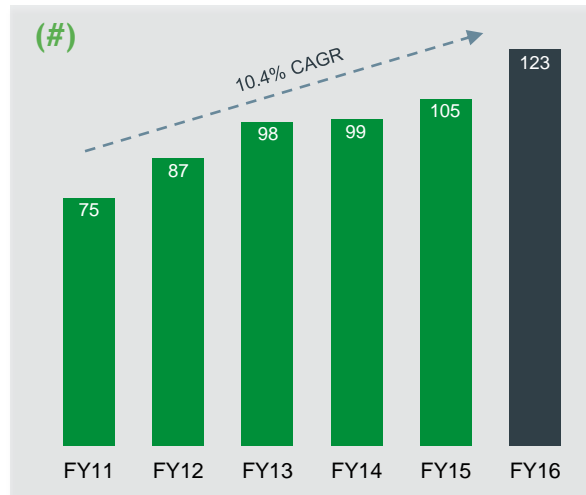
1. FY16 Financial and Operational Highlights
2. PHI Review Update
3. New Product Update
4. Growth Strategy Update
5. Outlook



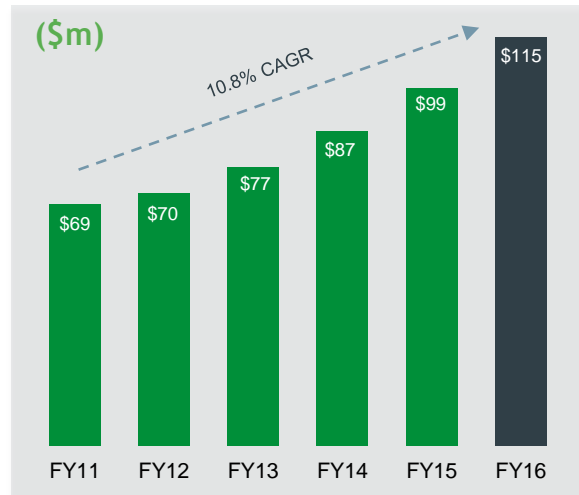
# Consistent Track Record of Growth

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

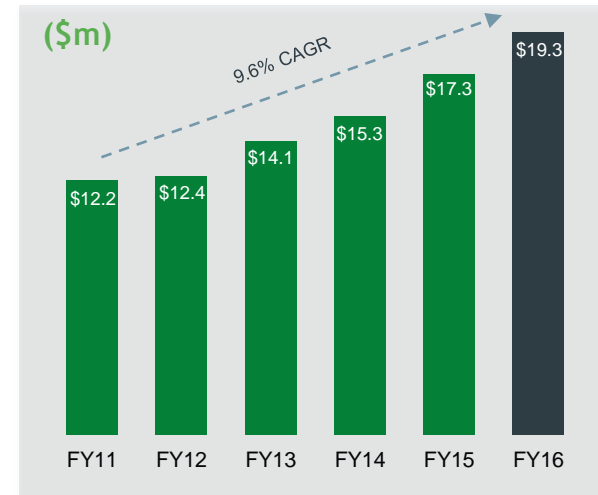
## Active Surgeons (Including Biologics)<sup>1</sup>



## Revenue



## EBITDA<sup>2</sup>



Notes:

1. Active surgeons are surgeons who generate \$50,000 or more of revenue in that period for LifeHealthcare
2. Underlying EBITDA excludes acquisition transaction costs in FY15 and FY16

# ➤ Solid Performance for FY16

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



**111**  
Active Surgeons  
-----  
17% growth on FY15



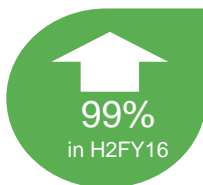
**\$114.8m**  
Revenue  
-----



**55.7%**  
Gross Margin  
-----



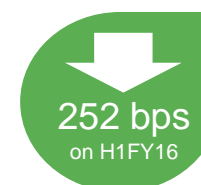
**\$19.3m<sup>1</sup>**  
EBITDA  
-----



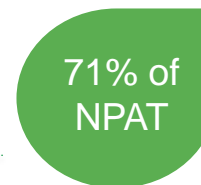
**52%**  
Cash Conversion  
-----



**31%**  
Working Capital  
-----  
% to LTM sales



**1.69x**  
Leverage  
-----  
Net Debt to EBITDA



**12.5c**  
FY16 Dividend  
-----  
7.5c Final Dividend<sup>2</sup>

Notes:

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

# ➤ Operational Highlights for 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

## 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

## 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

## 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

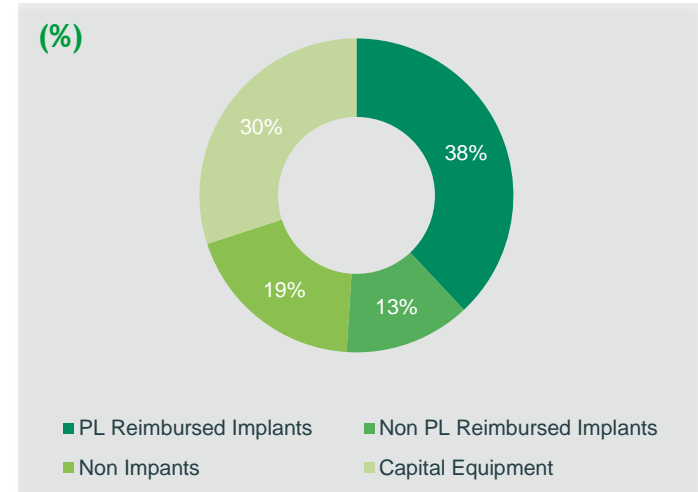
## Price cut to Prostheses List announced with no material impact to LifeHealthcare

- On 19 October 2016 a price cut to select areas of the Prostheses List was announced with a 10% cut to Cardiac Devices and Intra-ocular Lenses and a 7.5% cut to Hips and Knees
- These cuts will take effect from 20 February 2017 resulting in \$86 million in savings per annum to private health insurers that is expected to be passed on to consumers

### Implications for LifeHealthcare

- LifeHealthcare does not provide products in these categories on a material basis
- Analysis of LifeHealthcare pricing for all Prostheses List products in FY16 indicates a 3% variation between private and public markets on a weighted average basis
- LifeHealthcare will continue to actively engage the government to support any future pricing reform to be on an objective and data driven basis

### LifeHealthcare Revenue Breakdown



Source: LifeHealthcare FY16 revenue

# > New Product Update

A number of innovative new product introductions underway in FY17

- > CereTom Mobile Stroke Units in Ambulances



- > Visionsense 3D Endoscopy



- > Dipromed Transparent Laparoscopic Hernia Mesh



- > Telexy Qpath POC Ultrasound Workflow Solution



- > Barricaid Lumbar Disc Repair Technology



- > Everest XT



- > Lateral and Posterior Lumbar 3D Printed Implants



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



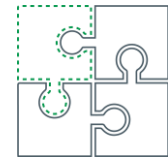
Increasing market share and providing greater breadth of offering in therapeutic divisions

## 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



# ➤ Update on Strategic Priorities

Progress continues in initiating and executing LifeHealthcare's strategic priorities



- Enhanced sales and operations planning process initiated to strengthen supplier demand planning and optimise inventory position
- North Ryde warehouse and loan kit reconfiguration, including 3<sup>rd</sup> inventory carousel, improving workflow and increasing pick and pack utilisation
- Review of inbound and outbound freight contracts providing improved supply terms
- Investment in IT platform enabling improved data analysis and intelligence across operations



- Launch of new agency identification and approval framework ensuring strategic alignment, return on investment and long term growth for new product introductions
- Focus on portfolio extensions across core channels of Spine, Orthopaedics, Cardiology and General Surgery
- New product introductions initiated in FY17 include 3D printed implants for lateral and posterior lumbar spine techniques, Barricaid lumbar disc repair technology, Visionsense 3D endoscopy, Telexy Qpath point of care workflow solution and transparent laparoscopic hernia mesh



- Long term supplier agreement signed with MiMedx in July for Amniotic technology with wound healing and burns applications
- Continued progress on TGA submissions for Biologics with approval obtained for RTI Surgical's nanOss bone graft substitute
- Dedicated Biologics sales resource in place for New Zealand with launch roadshow activity focused on Spine, Sports Medicine and Plastics applications

Guidance of mid to high single digit revenue growth and low to mid single digit EBITDA growth reaffirmed

## Macro Environment

- Demand for healthcare continues to be strong, driven by an ageing population, emerging technology and rising rates of chronic disease
- Return to growth in surgical procedural volumes in June quarter after softer volumes in Q2 and Q3 of FY16 <sup>1</sup>
- Price cuts to Prostheses List announced as part of PHI review with no material impact to LifeHealthcare, reaffirming public/private price variation of 3% on a weighted average basis at 30 June 2016

## Company Strength

- Consistent above market growth with top three market share in core therapeutic channels
- Continued focus on prudent balance sheet management in working capital, positive cash conversion and further debt repayment
- Consistent approach to dividend distribution with 50% - 70% payout of NPATA

## FY17 Trading Update

- Pleasing results from Medical Vision Australia business since acquisition with anticipated earn out in H2FY17, not materially impacting results
- Further spinal robotics penetration with the placement of an additional Mazor Renaissance unit in Q1 FY17
- Surgeon engagement and new product introductions driving continued implant revenue growth

Source:

1. APRA - total surgical procedures in private healthcare

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