

FY17 Half Year Results

21 February 2017

Matt Muscio
Chief Executive Officer

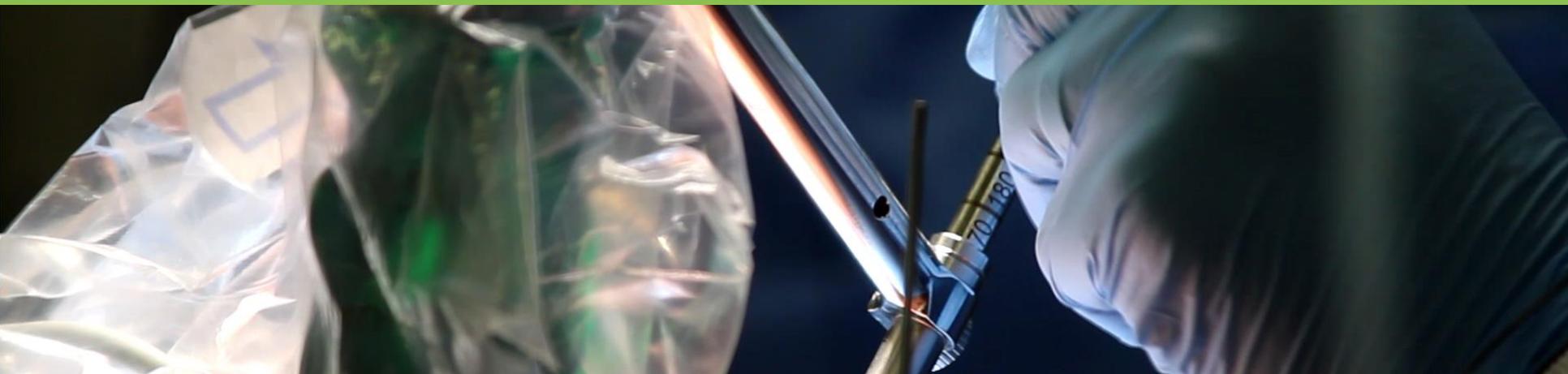
Dean Taylor
Chief Financial Officer

Kristine James
General Manager Corporate Development

LifeHealthcare



➤ Not your typical multinational



Agenda

1. Highlights

2. Financial Performance

3. New Product Launches

4. MVA Integration and Momentum

5. Progress on Innovation

6. Strategy

7. Outlook

8. Appendix

Key Metrics

A solid underlying performance for H1 FY17 with 13.4% revenue growth on prior comparable period



131
Active Surgeons⁽¹⁾

7% growth from
30 June 2016



\$61.7m
Revenue

13.4%



51.1%
Gross Margin

FX impact of 450 bps
Mix impact of 50 bps



\$9.1
EBITDA⁽²⁾

7.3%



80.2%
Cash Conversion
(pcp 3.5%)

92% conversion on
LTM basis



30.8%
Net Working Capital
(pcp 35.8%)

% to LTM sales



1.69x
Leverage
(pcp 2.16x)

Net Debt to
Underlying EBITDA



6.25c
Interim Dividend⁽³⁾
(pcp 5.0c)

89% of Statutory
NPAT

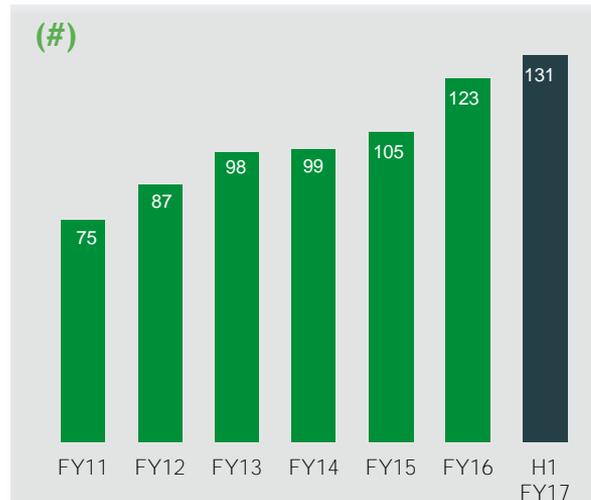
Notes:

1. Active surgeons are surgeons who generate \$50,000 or more of revenue in the LTM (including biologics) for LifeHealthcare
2. Underlying EBITDA excludes transaction costs of \$0.5m (pcp \$0.3m)
3. Subject to Dividend Reinvestment Plan
4. Underlying Net Profit after Tax and before Acquisition Amortisation

Consistent Track Record of Growth

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

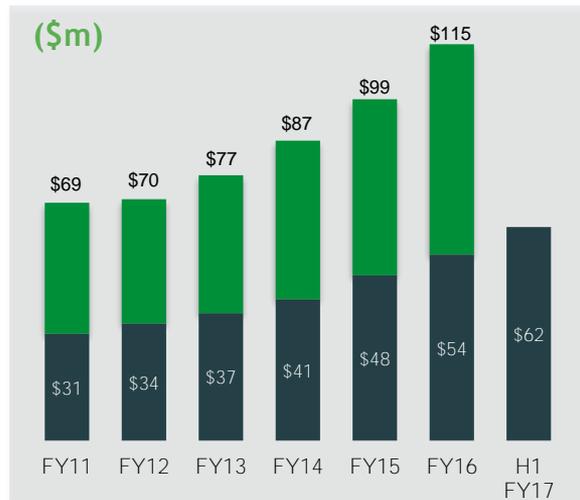
Active Surgeons⁽¹⁾



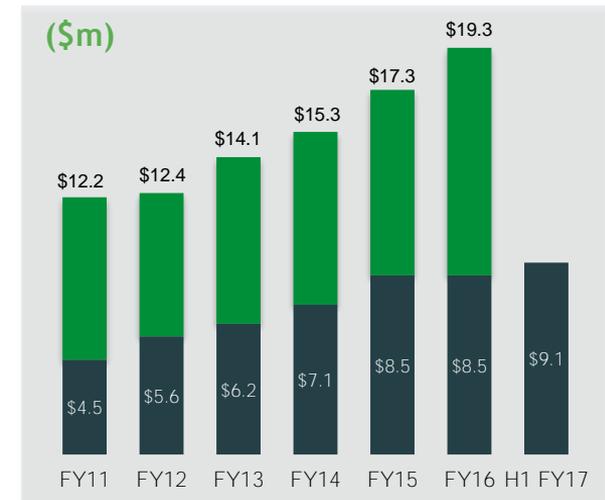
Revenue per active surgeon (\$'000)



Revenue



EBITDA⁽²⁾



Notes:

- Active surgeons are surgeons who generate \$50,000 or more of revenue in the LTM (including biologics) for LifeHealthcare
- Underlying EBITDA excludes acquisition transaction costs

Significant progress through continued surgeon engagement and leveraging recent product launches

Continued New Surgeon Growth

- Additional eight active surgeons in H1 FY17 bringing total to 131 active surgeons
- 12.8% growth in implants through penetration in complex orthopaedic, minimally invasive spine and spinal robotics

Leverage of MIS in Spine

- Everest XT minimally invasive spine platform from K2M continues to perform well following the December 2015 launch, providing access to high growth \$25m market segment
- 195 cases performed across 26 surgeons since launch

Further Robotics Penetration

- Two robotics units installed in H1 FY17 at strategically valuable sites of Wollongong Private (Ramsay Health Care) and Epworth Richmond bringing total Australian install base to six
- 84 robotic enabled spine surgeries conducted in H1 FY17, up 140% on prior comparable period

Strong Growth in Orthopaedics

- High growth in complex lower limb reconstruction market, with market leading position in internal limb lengthening sub segment
- Strong penetration with existing biologics portfolio in orthopaedic applications with benefits of lower working capital requirements realised

Increased Imaging Offering & Penetration

- CereTom CT scanner installation underway for launch **of Australia's 1st** mobile stroke ambulance unit in Victoria
- BodyTom portable full body CT scanner to be installed at Epworth Richmond in Q3 FY17 providing only **the second 'scan and plan' BodyTom** / Mazor site globally

Momentum in Interventional Cardiology

- Strong growth in the interventional cardiology and respiratory division on the back of the Medical Vision Australia acquisition in October 2015
- Expansion of interventional cardiology portfolio with new agency agreement completed with Concept Medical

Summary Income Statement

Solid earnings growth through expense management to offset deterioration in AUD

(\$m)	H1 FY17	H1 FY16	Change on pcp
Revenue	61.7	54.4	13.4%
Gross Margin	31.5	30.5	3.3%
<i>Gross Margin %</i>	51.1%	56.1%	(5.0%)
Underlying EBITDA ⁽¹⁾	9.1	8.5	7.3%
<i>EBITDA %</i>	14.8%	15.6%	(0.8%)
Transaction Costs	(0.5)	(0.3)	53.6%
EBITDA	8.7	8.2	5.8%
Depreciation	2.2	1.8	25.0%
Amortisation	0.8	0.8	-
EBIT	5.7	5.6	0.6%
Interest Expense	1.3	1.1	9.1%
Income Tax Expense	1.4	1.4	(0.1%)
NPAT	3.0	3.1	(2.7%)
Underlying NPATA ⁽²⁾	3.8	3.8	0.4%
Underlying NPATA EPS (c)	9.0	8.9	
<i>Payout % of Statutory NPAT</i>	89%	69%	
<i>Payout % of Underlying NPATA</i>	70%	56%	

- 13.4% revenue growth on pcp with organic growth of 9.6%
- Gross margin affected by strong capital sales at lower margin and deterioration of AUD being partially offset by improved supplier trading terms
- Strong operating expense management resulting in improved operating expense to sales ratio by 420 bps
- Depreciation increased due to investment in warehouse automation to improve operational efficiency and instrument kits to support revenue growth
- Interest expense increased from additional bank debt for acquisitions of M4 and MVA
- Interim dividend of 6.25c subject to Dividend Reinvestment Plan with 2.5% discount

Notes:

1. Underlying results excludes acquisition transaction costs of \$0.5m in H1 FY17 and \$0.3m in H1 FY16

2. Underlying NPATA adds back to NPAT amortisation of acquisition identifiable intangibles

➤ Balance Sheet and Cashflow Extract

Prudent balance sheet management continues with improvement in underlying quality of inventory as well as improvement in net debt and cash conversion

(\$m) (extract)	H1 FY17	H1 FY16
Inventory	37.4	35.7
Trade & Other Receivables	25.0	18.6
Trade & Other Payables	(24.8)	(16.7)
Net Working Capital	37.6	37.6
Net Debt⁽¹⁾	33.7	39.5
Operating Cash Flow	7.3	0.3
Operating Cash Flow Conversion (on EBITDA)	80.2%	3.5%
Capital Expenditure	3.3	2.4

- Increase in inventory to meet growth compounded by increased cost to land from weaker AUD
- Net working capital ratio of 30.8% improvement in line **with management's expectations with further** improvement expected in H2 FY17
- Receivables and payables increased as a result of a delayed receipt due from new Royal Adelaide Hospital
- Strong cash conversion of 80.2% of EBITDA to operating cash flows with \$1.5m cash at bank at December
- Capital expenditure higher from increased investment in instrument kits to support revenue growth along with further investment in automation of warehouse management
- Significant improvement of net debt leverage to pcp 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 in H1 FY16

➤ New Product Launches

New product launches in H1 FY17 continuing the momentum in channel optimisation

- 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



- Mindray M9



- Lateral and Posterior Lumbar 3D Printed Implants



MVA Integration and Momentum

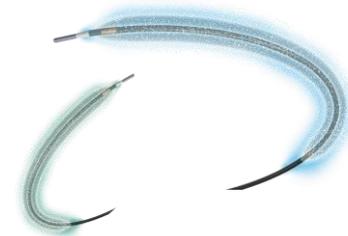
Strong momentum in interventional cardiology and respiratory division with new supply partnerships extending into peripheral vascular applications

- Medical Vision Australia business acquired in October 2015 proving a strong strategic fit and achieving positive sales momentum in interventional cardiology
- Capital sales growth in H1 FY17 across IVUS (intravascular ultrasound) and Bronchus (respiratory imaging) with a solid sales pipeline into H2 FY17
- Partnership established with Concept Medical to market Magic Touch, the world first Sirolimus coated drug eluting balloon on the market, TGA expected to take ~12 months
- In late stage negotiations with prospective partners to build out coronary intervention portfolio and extend further into peripheral vascular applications
- MVA earn out payable in Q3 FY17

➤ Volcano iFR



➤ Concept Medical
Magictouch Drug Eluting
Balloon



Focus on enablers in high growth therapeutic channels with compelling efficacy and health economics

Mazor Renaissance Spinal Robot



- Strategic installations at Wollongong Private and Epworth Richmond in H1 FY17 has expanded the robotics footprint to six sites
- Improving patient outcomes through less invasive surgery, lower revision rates, faster recovery times, reduced post operative pain and lower infection rates
- Value proposition of reduction in revision surgery, screw explant costs and patient length of stay in hospital

CereTom Mobile Stroke Unit in Ambulances



- LifeHealthcare partnership with Royal Melbourne Hospital and Ambulance Victoria to launch Australia's first mobile stroke ambulance
- Stroke is a leading cause of death and disability with significant patient care and rehabilitation costs
- Mobile CT used to rapidly diagnose Ischemic stroke patients and initiate time critical medical treatment with significantly superior outcomes



➤ Update on Strategic Priorities

Progress on strategic priorities ensuring sustained future growth, benefits of scale and adaptation to evolving healthcare trends

Organisational Efficiency & Effectiveness



- Enhanced sales and operations planning processes embedded to strengthen supplier demand planning and optimise inventory
- North Ryde warehouse reconfiguration and automation delivering improved workflow, inventory visibility and increased scalability
- Investment in IT platform enabling improved data analysis and intelligence across operations

Channel Optimisation



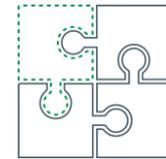
- Launch of seven new products in established therapeutic channels during H1 FY17 driving future organic growth and enabling leverage of existing sales infrastructure
- New supply partnerships established in interventional cardiology, orthopaedics, neurosurgery and ultrasound
- Dividend Reinvestment Plan initiated to provide flexibility in addressing growth opportunities

Biologics Growth



- Long term supplier agreements in place with RTI Surgical and MiMedx
- Continued progress on TGA submissions with approval **obtained for RTI Surgical's** nanOss bone graft substitute and human tissue portfolio approvals anticipated in FY18
- Dedicated sales resource in place for New Zealand and engagement of Australian Key Opinion Leaders initiated

Develop Solutions to Address Changing Needs of Healthcare



- Further inroads made into providing efficacious, innovative technology that addresses health economics such as the Mazor Renaissance spinal robotics system and the CereTom mobile CT scanner

➤ FY17 Guidance Reaffirmed

Guidance of mid to high single digit revenue growth and low to mid single digit EBITDA growth for the full year reaffirmed

Macro Environment

- Demand for healthcare continues to be strong, driven by an ageing population, emerging technology and rising rates of chronic disease
- Continued growth in surgical procedural volumes in Q1 of FY17⁽¹⁾
- No material impact to LifeHealthcare from price cuts to Prostheses List announced as part of PHI review
- **LifeHealthcare's public private** price variation of 1.6% on a weighted average annualised basis for Prostheses Listed items

Company Strength

- Consistent above market organic growth with top three market share in core therapeutic channels
- Continued focus on prudent balance sheet management with improved working capital ratios, quality of inventory and positive cash conversion with further debt reduction
- Strong dividend distribution with interim within 50% to 70% payout guidance of underlying NPATA

FY17 Trading Update

- More modest second half revenue growth anticipated on prior comparable period following strong second half performance in FY16
- Stable gross margins and ongoing operating expense management providing strengthened EBITDA ratio during second half

Source:

1. APRA - total surgical procedures in private healthcare

Appendix



Summary Balance Sheet

(\$m)	H1 FY17	H1 FY16
Cash	1.5	0.5
Trade & Other Receivables	25.0	18.6
Inventory	37.4	35.7
PP&E	11.2	10.5
Deferred Tax Asset	4.9	7.0
Intangible Assets	27.7	29.1
Other	1.8	1.1
Total Assets	108.6	102.5
Trade & Other Payables	24.8	16.7
Borrowings	35.2	39.5
Provisions	2.2	2.2
Other	1.8	1.8
Total Liabilities	64.1	60.2
Net Assets	44.5	42.3

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