



LifeHealthcare

> Not your typical multinational

2017 Annual General Meeting

26 October 2017

Matt Muscio
Chief Executive Officer



1. FY17 Financial and Operational Highlights
2. Prostheses List Review Update
3. Update on Integration of Acquisitions
4. Growth Strategy Update
5. Outlook



FY17 Performance Metrics

Strong revenue performance for FY17 with 10.4% revenue growth on prior comparable period with modest underlying earnings growth of 4.6% on prior comparable period



137
Active Surgeons⁽¹⁾

11.4% growth from
30 June 2016



\$126.7m
Revenue

10.4%

9.1% organic growth



52.0%
Gross Margin

390 bps⁽⁶⁾

FX impact represents
over 70% of decline



\$20.4
EBITDA⁽²⁾

4.6%⁽⁶⁾

16.1% EBITDA
margin



78.3%
Operating Cash
Conversion⁽³⁾

2640 bps

(restated pcp 51.9%)⁽⁶⁾



31.0%
Working Capital
(restated pcp 32.2%)⁽⁶⁾

120 bps

% to LTM sales



1.39x
Leverage
(restated pcp 1.67x)⁽⁶⁾

16.8%

Net Debt to
Underlying EBITDA



13.75c
Full Year Dividend
(pcp 12.5c)

66% of
NPATA⁽⁵⁾

7.5c Final Dividend⁽⁴⁾
(pcp 7.5c)

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 \$0.7m (pcp \$0.3m) and one-off loss in share of Associate of \$0.4m
3. Cashflow from operating activities as a percentage of underlying EBITDA

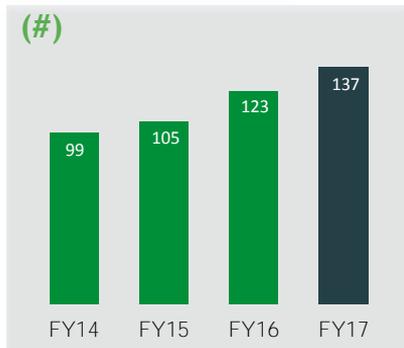
Notes:

4. Final dividend fully franked and subject to Dividend Reinvestment Plan
5. Underlying Net Profit after Tax excludes transaction costs of \$0.7m, one-off loss in share of Associate of \$0.4m and amortisation of specifically identifiable intangibles of \$1.2m
6. FY16 accounts restated due to a change in accounting policy relating to in-bound freight costs included in the cost of inventory. This has increased EBITDA by \$0.1m and inventory by \$0.8m and reduced the deferred tax asset by \$0.3m from that reported in the 2016 annual report

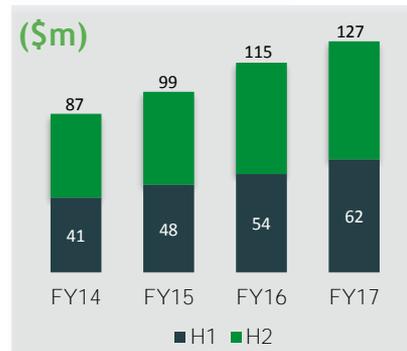
Consistent Track Record of Growth

Growth delivered in the number of active surgeons, revenue and underlying earnings albeit EPS on an NPATA basis is only marginally up year on year

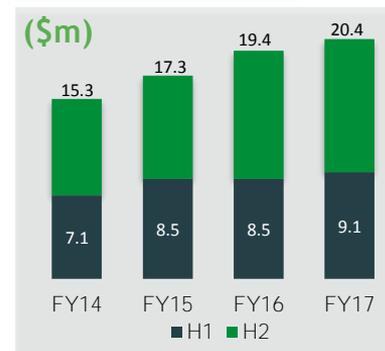
Active Surgeons⁽¹⁾



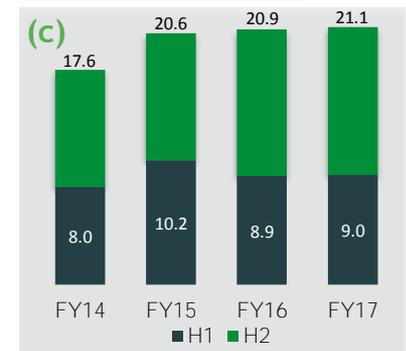
Revenue



EBITDA⁽²⁾



NPATA EPS⁽³⁾



- LifeHealthcare continues to deliver strong above market growth, with over 13% compound annual growth in revenue and over 10% compound annual growth in EBITDA since listing in FY14
- NPATA EPS growth has been impacted from increased depreciation as a result of instrument set investments in FY16 to support major product launches and underlying implant growth, coupled with shares issued during FY17 from exercised options and the DRP. NPATA EPS uplift is expected in FY18
- LifeHealthcare's current dividend yield over 6%

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➤ Operational Highlights for FY17

Significant progress through continued surgeon engagement and executing on strategic priorities of channel optimisation, biologics and healthcare solutions

Continued Active Surgeon Growth

- Additional 14 active surgeons in FY17 bringing total to 137 active surgeons
- 10.5% growth in implants through penetration in complex lower limb orthopaedics, minimally invasive spine and spinal robotics

Leverage of 3D Printed Portfolio

- Market leader in 3D printed interbody spine devices, with 197% growth in FY17 and launch of Cascadia 3D printed lateral interbody implants from K2M
- Assisted Australian surgeons to perform 21 patient specific custom procedures for limb salvage in complex lower limb orthopaedics

Penetration in Robotics and Imaging

- Three spinal robotic systems installed in FY17 bringing installed base to seven, the largest installation base per capita outside of the United States
- BodyTom interoperative mobile full body CT scanner installed at Epworth and CereTom mobile cranial CT scanner **installed in Australia's** first mobile stroke ambulance

Continued Growth in Orthopaedics

- Strong growth across complex revision, limb lengthening and limb salvage applications, with particularly strong growth in synthetic biologics offering
- Acquisition of Oceania Orthopaedics on 31 July 2017 strengthens **LifeHealthcare's** market position to number two in complex lower limb orthopaedics with a market leading offering in tumour & trauma

Momentum in Biologics

- Continued penetration of synthetic biologics portfolio driving market share gains **with Cerapedic's** peptide enhanced bone graft material iFactor across spine and orthopaedics
- Successful launch of allograft biologics in New Zealand, which has a different regulatory approval pathway than Australia

Performance of Acquisitions

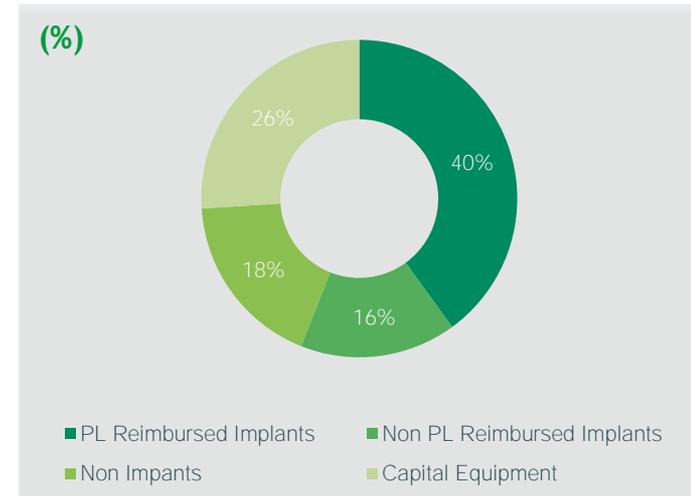
- Revenue growth in point of care ultrasound following the acquisition of M4 Healthcare in FY15
- Penetration in interventional cardiology driven by the launch of iFR diagnostic technology and following the acquisition of Medical Vision Australia in FY16

➤ Update on Prostheses List Review

Strategic Agreement reached with Australian medtech sector for Prostheses List reform establishing price certainty

- Four year strategic Agreement with Australian medtech sector for Prostheses List reform, including pricing, announced 15 October by Minister for Health and Sport
- Price reductions due to take effect in 2018 and 2020 with varying levels of percentage price reductions across the thirteen categories of the PL
- Price reduction in 2018 will be implemented in two tranches, 80% from 1 February 2018 and 20% from 1 August 2018. Price reduction in 2020 100% from 1 February 2020
- **40% of LifeHealthcare's revenue derived from implants reimbursed via the PL**
- **LifeHealthcare's revenue reduction as a result of PL pricing reform is 1.3% in February 2018, 0.3% in August 2018 and 1.3% in February 2020**
- Absolute impact of PL pricing reductions reaches approximately \$4.3m after the last reduction is fully implemented from February 2020. LifeHealthcare expects to continue to achieve sustained above market growth through combined organic and inorganic growth opportunities and leveraging operational efficiencies in the business

LifeHealthcare Revenue Breakdown



Source: LifeHealthcare FY17 revenue including Oceania Orthopaedics FY17 revenue (acquisition of Oceania Orthopaedics completed on 31 July 2017)

➤ Update on Integration of Acquisitions

Two acquisitions undertaken in FY18 to date strengthening LifeHealthcare's breadth of offering in key therapeutic channels of Spine, Orthopaedics and Biologics



Oceania Orthopaedics

Orthopaedics



Point Blank Medical's spine services

Spine

Australian
Biotechnologies

Life Enhancing Allografts

- The acquisition of Oceania Orthopaedics in July 2017 **has extended LifeHealthcare's offering in complex lower limb orthopaedics** resulting in an estimated number two position in this market
- Business development, sales, clinical support, product management, regulatory and quality now integrated with combined teams activating cross selling opportunities across expanded surgeon base
- Integration of finance and IT systems, warehousing and logistics progressing to plan with full integration of these functions to be complete by January 2018
- Strong relationship established with implantcast GmbH with a number of initiatives in place in relation to business development, surgeon engagement and new product pipeline
- **The acquisition of Point Blank Medical's spine services** division in October 2017, with effect from 1 November 2017, provides entry into the bone repair allograft biologics market in Australia estimated at over \$100 million per annum
- Access to over 125 surgeons using Australian **Biotechnologies' allograft spinal products**
- Strengthens the platform for further organic expansion of allograft biologics into other therapeutic channels
- Minimal working capital requirement and immediate **leverage of LifeHealthcare's existing sales infrastructure**
- Integration progressing with logistics planning and clinical support services training in preparation

➤ 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 driving improved supplier forecasting, quality of stock holding and product lifecycle management
- North Ryde warehouse reconfiguration and automation delivering improved workflow, inventory visibility and increased scalability
- Scoping of enterprise resource planning system upgrade in order to enable greater stock and instrument management

Channel Optimisation



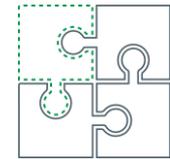
- Eleven major products launched in established therapeutic channels during FY17 driving organic growth and enabling leverage of existing sales infrastructure
- New supply partnerships established in spine, interventional cardiology, orthopaedics, neurosurgery and ultrasound
- Acquisition of Oceania Orthopaedics in July 2017 accelerating market share position in complex orthopaedics

Biologics Growth



- Continued penetration of synthetic biologics, driving market share gains in spine and orthopaedics
- Successful launch of allograft and amniotic biologics in New Zealand with procedures performed in spine, plastics and wound management
- 10 year allograft supply partnership with Australian Biotechnologies established through acquisition of Point Blank Medical spine service division

Develop Solutions to Address Changing Needs of Healthcare



- Further inroads made into providing innovative technology solutions that address health economics including spinal robotics and incorporation of the **CereTom CT scanner in Australia's first mobile stroke ambulance**

Guidance for FY18 remains unchanged at high single to low double digit growth in revenue, underlying EBITDA and underlying NPATA EPS

Macro Environment

- Demand for healthcare continues to be strong, driven by an ageing population, emerging technology and rising rates of chronic disease
- **LifeHealthcare's business model** is well suited to address the ongoing evolution in sustainable healthcare
- Impact of Prostheses List reform now known and mitigation plans in place to offset this impact

FY18 Imperatives

- Integration of Oceania Orthopaedics acquisition
- Integration and active expansion of coverage for Australian **Biotechnology's spinal allograft** biologics spinal range
- Organic expansion of existing therapeutic channels and further development of acquisition pipeline in order to drive inorganic growth
- Continued focus on capital management including investment in infrastructure supporting growth and scalability

FY18 Outlook

- Improving gross margin year on year
- Stronger AUD to USD partially offset by weaker AUD to Euro
- With FY18 Q1 trading in line with expectations and PL impact mitigation identified, guidance is reaffirmed at high single to low double digit growth in revenue, underlying EBITDA and underlying NPATA EPS

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