

Australian Microcap Investment  
Conference

18<sup>th</sup> October 2017

LifeHealthcare



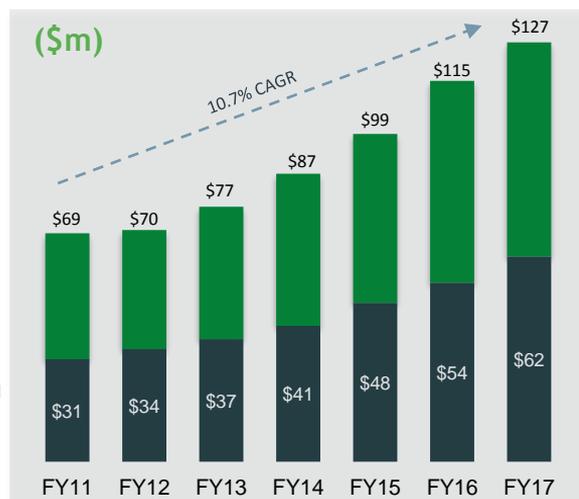
> Not your typical multinational



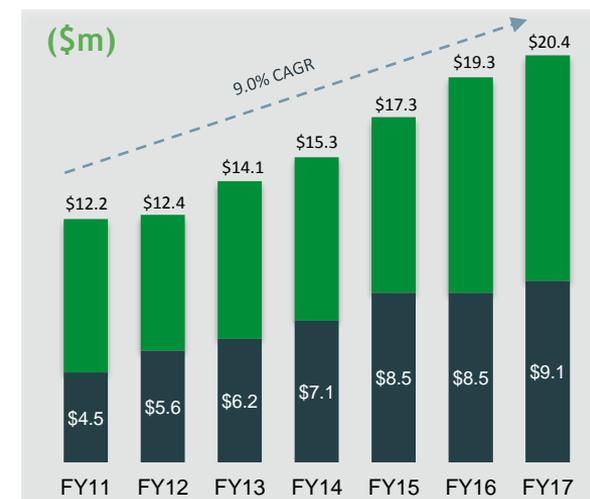
LifeHealthcare is a leading independent provider of healthcare solutions in Australia and New Zealand across clinically specialised therapeutic channels

- Founded in 2006 from an integration of a number of long standing businesses, LifeHealthcare has grown to be one of the leading independent medical device companies in Australia and New Zealand with over 180 employees
- Business model focussed on global sourcing and provision of local solutions in focus specialty channels of Spine, Neurosurgery, Orthopaedics, Cardiology and General Surgery
- Full service offering providing tailored solutions for customers including a global sourcing network, dedicated regulatory capability, tailored professional education programs and clinician training, product development and specialised clinical services including after sales care
- Strong market presence, top three market share position in core therapeutic channels in which LifeHealthcare is present

## Revenue



## EBITDA<sup>1</sup>

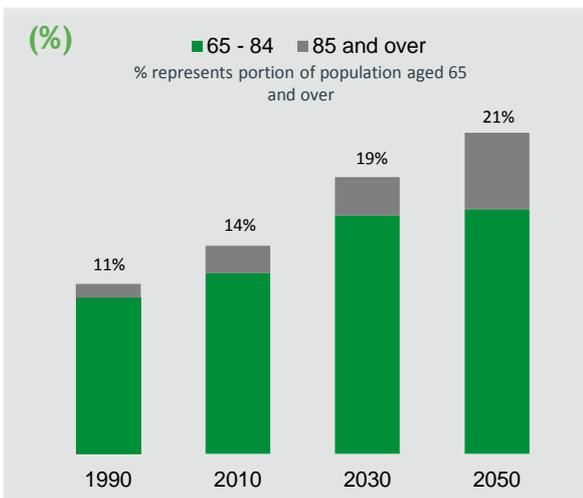


Note:

1. Underlying EBITDA excludes acquisition transaction costs in FY15, FY16 and FY17 and a one-off loss in share of an associate in FY17

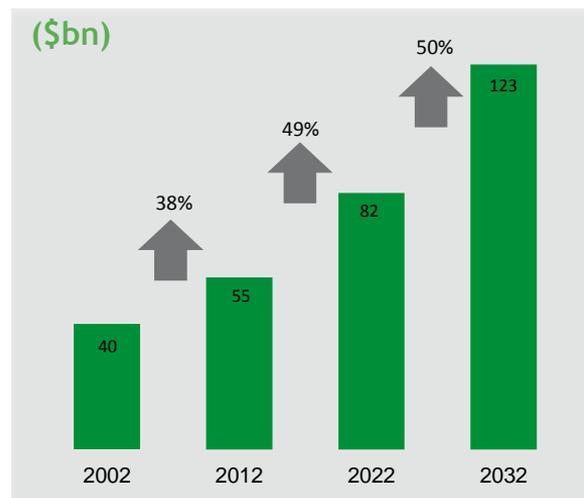
Ageing population, rising rates of chronic disease and surgical procedure growth driving healthcare expenditure

## Australian Population 65 & Over



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

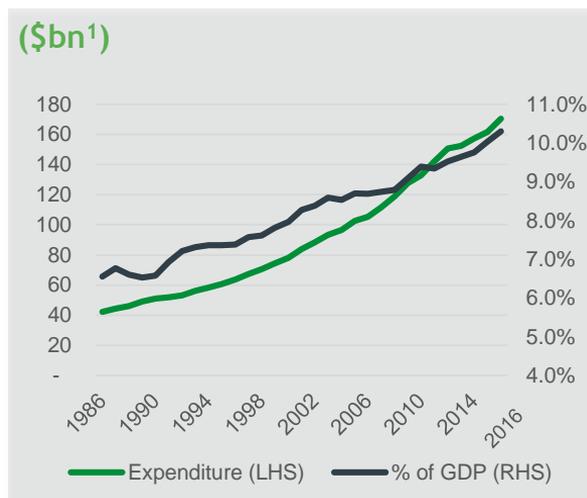
## Australian Healthcare Spend on Chronic Disease



Source: Australian Institute of Health and Wellbeing

Note: Total healthcare expenditure in 2032 of \$246bn of which chronic illnesses included in the chart above amount to \$123bn. The chronic illnesses included are: cardiovascular, respiratory, dental, neurological, cancer, endocrine & nutritional, diabetes

## Australian Healthcare Expenditure



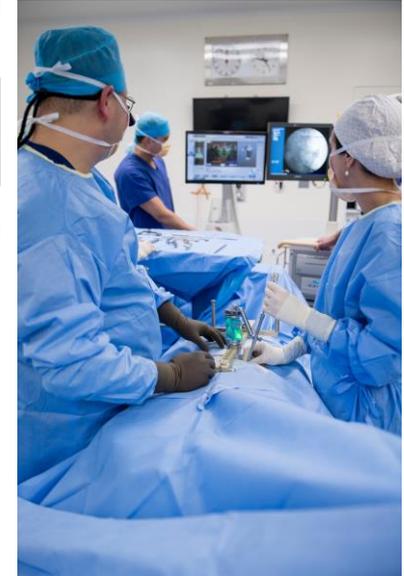
Source: Australian Institute of Health and Wellbeing

Note: <sup>1</sup> Constant prices

# ➤ The Future of Healthcare

LifeHealthcare's business model is well suited to address the changing needs of healthcare in delivering more efficient and effective healthcare outcomes

- Managing the patient journey through prevention, early intervention and rehabilitation
- Evolution in procedural technique complemented by device innovation and enabling technologies
- Advancements in genetic therapies and regenerative biologics
- Incorporation of data and outcome measures



# Therapeutic Offering

LifeHealthcare has an established presence in select therapeutic channels providing implants, capital and consumable technologies



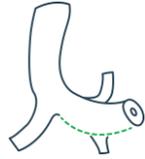
Spine



Orthopaedics



Cardiology



Endovascular  
& Respiratory



Neurosurgery



General Surgery



Neurophysiology



Ultrasound



Theatre  
Capital



Surgical  
Instruments &  
Consumables

Supported by regulatory and compliance, dedicated service teams and operations



Marketing,  
Regulatory Affairs  
& Product  
Management



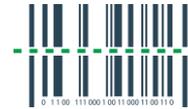
Customer  
Service



Capital Parts  
& Service



Kit &  
Consignment



Inventory &  
Logistics



Warehouse  
& Distribution

# ➤ Full Service Integrated Business Model

A full service offering and tailored solutions for customers within the Australian and New Zealand healthcare market

- Regulatory Affairs and Compliance team which seeks TGA and PDC approval on behalf of manufacturers
- Quality assurance a key strength
- Dedicated professional education team facilitate world class training for surgeons and other clinicians
- Strongly supported by key partners



- Dedicated team focussed on delivering emerging technologies to the Australian and New Zealand healthcare market
- Strategic sourcing delivers channel optimisation and technical innovation

- Market leading sales representatives are employed by LifeHealthcare and undergo rigorous training
- A typical LifeHealthcare sales representative has significant medical or healthcare experience and a bachelor of sciences or similar tertiary qualification

- In certain therapeutic market segments, a LifeHealthcare sales representative may be present in theatre assisting a surgeon with a procedure
- Delivery of capital service

Competitive advantage generated through a high degree of market orientation and a compelling value proposition



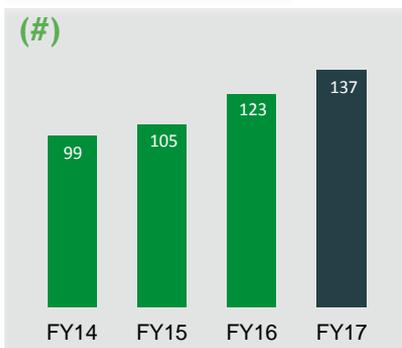
## Value Proposition

- Focused on the needs of Australian and New Zealand customers only
- Scale of a multinational without being constrained by a single foreign parent company
- Rapid access to innovation
- Global reach, local tailored solutions, best in class products
- Local ownership ensures decision makers are readily accessible
- We act with speed and conviction

# 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

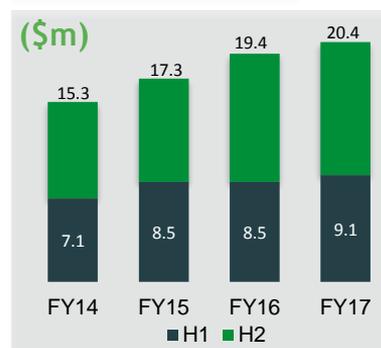
### Active Surgeons<sup>(1)</sup>



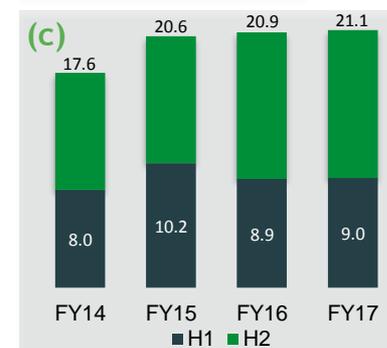
### Revenue



### EBITDA<sup>(2)</sup>



### NPATA EPS<sup>(3)</sup>



- 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%

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. 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

LifeHealthcare's institutional shareholding has remained stable since listing in December 2013 despite regulatory risk impacting valuation

## Top 10 Shareholders

Investors Mutual
Perennial Investment Partners
Fidelity Management and Research
Renaissance Asset Management
Fidelity Investment Limited
Adam Smith Asset Management
Mason Stevens
Healthinvest
Contango Funds Management
Accident Compensation Corporation

As at 15 September 2017

- Five out of the top 10 shareholders above were in the top 20 shareholders at IPO



As at 17 October 2017

# FY17 Key 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<sup>(1)</sup>  
11.4% growth from  
30 June 2016



**\$126.7m**  
Revenue  
9.1% organic growth



**52.0%**  
Gross Margin  
FX impact represents  
over 70% of decline



**\$20.4**  
EBITDA<sup>(2)</sup>  
16.1% EBITDA  
margin



**78.3%**  
Operating Cash  
Conversion<sup>(3)</sup>  
(restated pcp 51.9%)<sup>(6)</sup>



**31.0%**  
Working Capital  
(restated pcp 32.2%)<sup>(6)</sup>  
% to LTM sales



**1.39x**  
Leverage  
(restated pcp 1.67x)<sup>(6)</sup>  
Net Debt to  
Underlying EBITDA



**13.75c**  
Full Year Dividend  
(pcp 12.5c)  
7.5c Final Dividend<sup>(4)</sup>  
(pcp 7.5c)

Notes:

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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

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



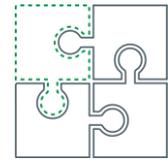
Increasing market share and providing greater breadth of offering in therapeutic divisions

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.

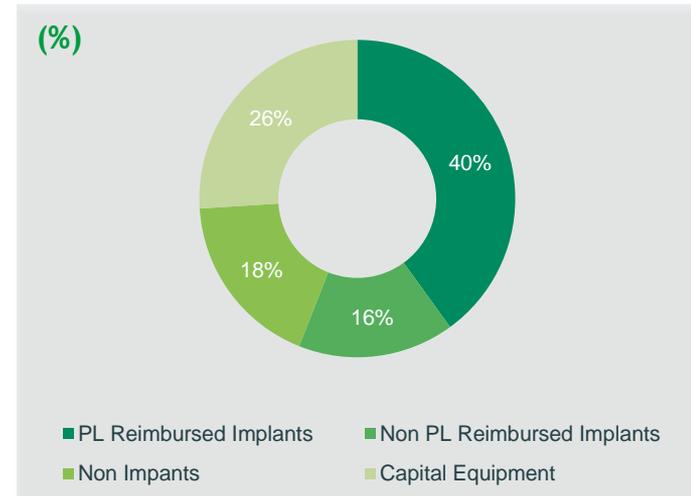
Delivering strong sustainable shareholder value over time

# ➤ Update on Prostheses List Review

Strategic Agreement reached with Australian medtech sector for Prostheses List reform in exchange for pricing 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)

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

## FY18 Outlook

- Improving gross margin year on year
- Stronger AUD to USD partially offset by weaker AUD to Euro
- Impact of PL changes in FY18 approximately \$0.8m
- Through a combination of mitigations including supplier terms, variable cost management and the recently announced acquisition of Point Blank Medical's spine services division, guidance remains unchanged

## Investment Thesis



- 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
- Sustained above market growth with 13% revenue and 10% underlying EBITDA compound annual growth since IPO
- Impact of Prostheses List reform now known and mitigation plans in place to offset this impact
- Prudent balance sheet management and continued focus on capital management including investment for growth
- Continued focus on channel optimisation and new product introductions in focus therapeutic channels
- Continued accelerated growth through acquisition

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