

13 October 2017

## Response to the medtech sector strategic agreement announced by the Minister for Health and Sport in relation to the Prostheses List

LifeHealthcare Group Limited (LifeHealthcare) (ASX:LHC) refers to today's announcement from the Minister for Health and Sport on the strategic agreement reached with the Medical Technology Association of Australia on behalf of its members and other companies that have products listed on the Prostheses List (PL).

Minister Hunt has today announced a four year strategic agreement in effect from 15 October 2017 to January 2022 that will initiate a number of reform measures to the PL including price reductions, due to take effect in 2018 and 2020 with varying levels of percentage price reductions across the thirteen categories of the PL based upon established price variances between private and public pricing. The price reduction in 2018 will be implemented in two tranches, 80% with effect from 1 February 2018 and 20% with effect from 1 August 2018. The price reduction in 2020 will be implemented 100% with effect from 1 February 2020.

The impact of these PL changes to LifeHealthcare, on a last twelve month weighted average revenue basis and noting LifeHealthcare's overall PL revenue exposure of 40%, will be a revenue reduction of 1.3% in February 2018, 0.3% in August 2018 and 1.3% in February 2020.

The impact of the PL changes to LifeHealthcare in FY18 are approximately \$0.8 million. 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 for FY18 remains unchanged at high single to low double digit growth in revenue, underlying EBITDA and underlying NPATA EPS.

The absolute impact of the PL cuts, on a last twelve months revenue basis, reaches approximately \$4.3 million after the last cut is fully implemented from February 2020. In the longer term, through combined organic and inorganic growth opportunities and leveraging operational efficiencies in the business, LifeHealthcare continues to expect sustained above market growth.

### > Not your typical multinational

**About LifeHealthcare**

LifeHealthcare Group Limited is a leading independent provider of healthcare solutions in Australia and New Zealand across clinically specialised therapeutic channels bringing Australian and New Zealand healthcare professionals innovative medical devices by partnering with world class companies who share the vision of innovation and making a real difference to people's lives. For more information, visit [www.lifehealthcare.com.au](http://www.lifehealthcare.com.au).

For further information contact:

**Kristine James**

General Manager Corporate Development

+61 2 8114 1534

[kristine.james@lifehealthcare.com.au](mailto:kristine.james@lifehealthcare.com.au)

**> Not your typical multinational**

---

*Head Office*

Level 8 / 15 Talavera Road, North Ryde  
NSW, Australia 2113

PO Box 646, North Ryde  
NSW, Australia 2113

TELEPHONE +61 (0)2 8114 1500  
[info@lifehealthcare.com.au](mailto:info@lifehealthcare.com.au)

CUSTOMER SERVICE 1800 060 168  
FACSIMILE +61 (0)2 8114 1599