LIFE HEALTHCARE GROUP HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 2003/002733/06)
ISIN: ZAE000145892
Share Code: LHC
("Life Healthcare" or "the Group" or "the Company")

TRADING UPDATE FOR THE SIX MONTHS ENDED 31 MARCH 2021

Life Healthcare is currently finalising its financial results for the six months ended 31 March 2021 (current period), which are expected to be released on the Stock Exchange News Service (SENS) on or about 27 May 2021.

Life Healthcare delivered a positive underlying performance in the current period, considering the impact of the COVID-19 pandemic, with key highlights as follows:

- Group revenue from continuing operations grew by between 0.9% and 6.1%;
- A strong performance by Alliance Medical Group (AMG) with overall activities broadly returning to pre-COVID levels and revenue growing by between 23.4% and 29.8%;
- Completing the sale of Scanmed S.A (Scanmed) for R681 million (net proceeds); and
- An improved performance in southern Africa, despite the increased severity of the second COVID-19 wave.

Life Healthcare would like to thank its employees and doctors for their unwavering support and courage, for their tireless work and for the care they delivered under difficult circumstances. The Company extends its sincere condolences to those that have lost family, friends and loved ones to the pandemic.

Against this backdrop, shareholders are advised that the Group´s revenue and normalised EBITDA for the six-months ended 31 March 2021 are expected to vary, from those reported for the comparative period ended 31 March 2020 (prior period), as set out below.

Measure	Six months ended 31 March 2020 (Reported)º	Six months ended 31 March 2021 (Expected)	% change
Revenue from continuing operations (R’m)	**12,504**	**12,614 to 13,264**	**0.9% to 6.1%**
Southern Africa	9,402	8,814 to 9,269	-6.2% to -1.4%
International	2,945	3,635 to 3,822	23.4% to 29.8%
Growth initiatives	157	165 to 173	5.0% to 10.4%
Normalised EBITDA* from continuing operations (R’m)	**2,822**	**2,345 to 2,466**	**-16.9% to -12.6%**
Southern Africa	2,236	1,465 to 1,540	-34.5% to -31.1%
International	625	902 to 949	44.2% to 51.8%
Growth initiatives	-39	-21 to -22	42.5% to 45.3%

* Life Healthcare defines normalised EBITDA as operating profit before depreciation on property, plant and equipment, amortisation of intangible assets and non-trading related costs and income

º Re-presented to exclude Scanmed

The Group adopted IFRS 16 on 1 October 2019 and elected the modified retrospective approach, with no restatement to comparative information. All the financial numbers presented in this trading update are prepared in terms of IFRS 16.

The Group concluded the sale of Scanmed on 26 March 2021. Scanmed has been accounted for in terms of IFRS 5 “disposal group held for sale” and is presented as a discontinued operation.

1 Group overview

The Group delivered good results for the six months to 31 March 2021 (H1 FY2021), despite the ongoing COVID-19 pandemic. Revenue from continuing operations is expected to increase by between 0.9% and +6.1% over the prior period (H1 FY2020: R12 504 million). The normalised EBITDA margin from continuing operations for the current period is expected to be lower than the prior period at between 18.2% and 19.0% (H1 FY2020: 22.6%), due to the impact of COVID-19 on the southern African operations and the additional COVID-19 related costs.

2 Southern Africa overview

Southern Africa includes acute hospitals, complementary services, healthcare services and the corporate office. Southern Africa experienced a severe COVID-19 second wave during H1 FY2021 impacting activities and resulting in increased underlying costs. The southern African business had initially experienced a good return of activities in October and November 2020 prior to the second wave of COVID-19 which impacted the business over December 2020, January and February 2021. Since then, the southern African business has experienced a return of non-COVID 19 activities with the business performing strongly in March 2021. The Group is supporting the Government’s vaccination programme and is pleased with the progress made in vaccinating health care workers. The Group will continue to play a supporting role in the subsequent vaccination phases as the government looks to vaccinate the South African population.

Revenue for H1 FY2021 is expected to decline by between -6.2% to -1.4% compared to the prior period (H1 FY2020: R9 402 million). Paid patient days (PPDs) for the current period declined by c.15% while revenue per PPD increased by c.13% due to the higher acuity of admissions over this period. Occupancies have steadily improved since April 2020 and, for the current period, the average occupancy in southern Africa was 57.4% versus 66,9% for the prior period and 50.0% for the 6 months from 1 April to 30 September 2020 (H2 FY2020). The normalised EBITDA margin is expected to be between 16.2% and 17.0% (23.8% for H1 FY2020 and 8.1% for H2 FY2020).

The southern African business continues to learn, adapt and change to accommodate the COVID-19 environment and despite a more severe second wave of COVID-19, the business improved on its H2 FY2020 performance. Revenue for H1 FY2021 grew by between 15% and 17% over H2 FY2020 on the back of PPD growth of between 13% and 15% and a recovery in theatre minutes of between 14% and 16%.

3 International overview

International revenue includes revenue from AMG only. Scanmed was disposed of during the period and has been classified as a discontinued operation. The prior period results are re-presented to exclude Scanmed from continuing operations. This is in line with IFRS and ensures that the amounts disclosed for continuing operations are comparable and provide more useful information.

AMG performed strongly during the current period despite the COVID-19 second wave experienced across Europe. Revenue is expected to increase by between 23.4% and 29.8% over the prior period (H1 FY2020: R2 945 million). This increase was driven by the strong growth of volumes within our PET-CT centres in the UK, the impact of additional COVID solutions for the NHS and a strong performance in Ireland, as well as the weakening of the rand against the pound sterling and the euro. 65% of AMG employees across the UK and Europe have received their first vaccine.

Within the UK business, the fifth cyclotron site in Dinnington was opened in January 2021. This has resulted in excess capacity over current demand, enabling a more reliable PET-CT service and providing room for further PET-CT growth.

The normalised EBITDA margin for AMG is expected to be between 24.6% and 25.0% (H1 FY2020: 21.2%).

As per the SENS announcement released on 1 April 2021, the Company completed the disposal of Scanmed on 26 March 2021, with net proceeds after transaction costs and withholding tax amounting to R681 million. The proceeds have been used to reduce debt levels within the Group.

4 Growth initiatives

The growth initiatives are aimed at broadening the Company's exposure across the healthcare continuum, and include, in southern Africa, developing the radiology imaging opportunity, a new outpatient business model, investing in data analytics and clinical quality products. Progress continues to be made across each of these areas.

Life Molecular Imaging (LMI) is our primary international growth initiative and performed in-line with expectations during the current period, with continued sales volumes despite the onset of the pandemic. Neuraceq sales would benefit from the approval of an Alzheimer's disease modifying drug (DMD) and, while we are cautiously optimistic that news of a successful DMD candidate will emerge within the next few months, it is difficult to predict exactly when this might occur. Biogen's Alzheimer's drug, aducanumab, has been submitted to the U.S. Food and Drug Administration (FDA) for approval and we expect a decision from the FDA by June 2021.

Revenue from growth initiatives is expected to increase by between 5.0% and 10.4% in ZAR.

5 Cash management and debt

During 2020, the Group engaged with its lenders and received temporary relaxation on the measurement of covenants. These came to an end on 31 March 2021 and the Group reverted to its prior covenants (the main one being 3.5x net debt to normalised EBITDA). The Group continues to have headroom on its bank covenants and is expected to remain within these covenants for the next reporting period based upon current forecasts.

The Group refinanced its term debt in the international operations during March 2020 and this extended the international debt maturities that were due in November 2020 to 2023 and 2025. Given the ongoing uncertainty around COVID-19 and the future impact that this may have on the Group, Life Healthcare has kept in place additional banking facilities that were put in place during 2020. The available undrawn facilities as at 31 March 2021 amounted to R6.4 billion.

The Group will continue its cash preservation drive across its operations.

Outlook

Life Healthcare continues to adopt a cautious approach due to the ongoing impact of COVID-19, particularly as regards the southern African business and the uncertainties around a potential COVID-19 third wave. Despite this, Life Healthcare expects a continued good performance for the six months to 30 September 2021 (H2 FY2021) from AMG given the continuing demand for scans across the business. In southern Africa, we anticipate continued growth in revenue and EBITDA in H2 FY2021 if the recent activity trends continue, but this would be subject to the potential impact of a third wave in the period.

Review of results
This trading update is the responsibility of the directors and is based on financial information which represents the Group´s latest financial estimates and has not been reviewed and/ or reported on by Life Healthcare´s external auditors.

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