

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")

VOLUNTARY TRADING UPDATE FOR THE SIX-MONTH PERIOD TO 30 SEPTEMBER 2021

Life Healthcare is pleased to provide shareholders with a voluntary trading update covering the six-month period from 1 April 2021 to 30 September 2021 (the current period or H2-2021). Reference is also made to the six-month period from 1 April 2020 to 30 September 2020 (the prior period or H2-2020), the 12-month period from 1 October 2020 to 30 September 2021 (FY2021) and the 12-month period from 1 October 2019 to 30 September 2020 (FY2020).

Group trading highlights include:

- Continued strong volume growth within Alliance Medical Group (AMG) with volumes higher than pre-COVID-19 levels in all major geographies, with revenue growth for FY2021 20-22% higher (in British pounds) than FY2020
- Continued sequential improvement across all the southern African operations notwithstanding a significantly larger third COVID-19 wave impacting operations within the current period. The southern African operations have delivered 9-11% revenue growth year-on-year for FY2021 with a 25-27% increase in revenue for the H2-2021 period compared to H2-2020. The normalised EBITDA margin for the H2-2021 period has improved to c.17% compared to 16.6% for the H1-2021 period
- Group revenue has increased by 11-13% year-on-year for FY2021 while the Group normalised EBITDA margin was c.19% versus 17.1% in FY2020
- Cash generation within the Group remains strong and net debt to normalised EBITDA has reduced to c.1.9x as at 30 September 2021 versus 2.96x at 30 September 2020

International overview

International revenue includes revenue from AMG only.

As previously reported in our H1-2021 results, AMG delivered stronger results than those for H2-2020. This trend has continued for the current period with all 3 major geographies (the United Kingdom (UK), Italy and Ireland) delivering higher scan volumes than was the case prior to COVID-19.

In the UK, Diagnostic Imaging (DI) volumes have returned to pre-COVID-19 levels. This was partly attributable to the COVID-19-related CT contracts entered into with the NHS as well as increased demand following the easing of COVID-19 restrictions in the UK. The COVID-19-related CT contracts initially ended on 31 March 2021 but were then extended for a further 6 months until 30 September 2021, albeit at reduced revenue per day compared with the initial contracts in the H1-2021 period. These contracts have now come to an end. For the FY2021 period, UK DI volume growth was 15-17% year-on-year. H2-2021 volumes were 43-45% higher than H2-2020 and 3-5% higher than H1-2021.

PET-CT volumes have continued to grow strongly in H2-2021 and were 32-34% higher than H2-2020 volumes and 8-10% above H1-2021. For the FY2021 period PET-CT volume growth was 17-19% year-on-year.

In Italy DI and PET-CT volumes for the H2-2021 period were lower than H1-2021 but this represents typical pre-COVID seasonality. For the FY2021 period Italian DI volumes were higher than pre-COVID levels with growth 8-10% higher year-on-year. H2-2021 volumes were 9-11% higher than the H2-2020 period but down 6-8% on H1-2021 volumes.

The Irish business continued to benefit from a rebound in activity and increased public sector contracting. For the FY2021 period Irish volumes also exceeded pre-COVID levels and growth was 33-35% higher year-on-year. H2-2021 volumes were 50-52% higher than the H2-2020 period and 15-17% higher than the H1-2021 period.

These operational results have driven AMG, as a whole, to deliver 20-22% revenue growth year-on-year, in British pounds, for the FY2021 period. H2-2021 revenue was 24-26% higher than the H2-2020 period. The normalised EBITDA margin for AMG has moderated compared with the 25.6% we reported at H1-2021, given the reduced revenue from COVID-19-related contracts, and was between 24-25% for the FY2021 period.

Southern Africa overview

Southern Africa includes acute hospitals, complementary services, healthcare services and the corporate office.

For the H2-2021 period the southern African operations were impacted by the severe third COVID-19 wave with over 215,000 COVID-19 PPDs in the current period versus c150,000 in H1-2021 and c130,000 in H2-2020. Despite this large third COVID-19 wave, the business delivered a robust performance with good revenue growth of 25-27% when compared with the H2-2020 period. This revenue growth was driven by H2-2021 acute and complementary paid patient day (PPD) growth of c.20% versus H2-2020 resulting in average occupancies for the H2-2021 period increasing to c.60%. This compares to H1-2021 average occupancy of 57% and 50% for the H2-2020 period. In addition, revenue per PPD growth year-on-year for the H2-2021 period remained high at c.10% due to the continued change in case mix. Underlying margins improved on the back of the higher occupancies as well as tighter management of costs as lessons from the two previous COVID-19 waves were applied.

FY2021 revenue grew by 9-11% versus FY2020. The normalised EBITDA margin continued to improve compared with the 16.6% we reported at H1-2021 and was c.17% for both the H2-2021 period and the FY2021 period.

Growth initiatives

Life Molecular Imaging (LMI) is our primary international growth initiative. Following the approval of Biogen's Alzheimer's disease modifying drug (DMD) Aduhelm, in June 2021, we have begun to invest in building up a commercial team within the US to drive Neuraceq sales. We have also signed agreements with our major US manufacturing partner, which will bolster our production capability in the US. At present, in the absence of Aduhelm reimbursement agreements with payors, and diagnostic and treatment pathways for physicians and service providers, we have yet to see a ramp-up in commercial sales of Neuraceq. However, we have seen increased sales of Neuraceq for other DMD drug trials as other pharmaceutical companies increase the pace of their clinical trials.

For the FY2021 period LMI's revenue was c.30% higher (in British pounds) than in FY2020 and the business remained breakeven at EBITDA level.

Within the southern African business good progress has been made on our growth within the renal dialysis and oncology businesses. We continue to pursue acquisition opportunities within the SA imaging market and hope to provide more detail on our progress at the time of our FY2021 results.

Thanks

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, loved ones, friends and colleagues to the pandemic.

2021 financial results

Life Healthcare expects to release its full year results for the twelve months to 30 September 2021 on or about 18 November 2021.

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.

The financial information on which this voluntary trading update is based has not been reviewed and reported on by the Group's external auditors.

For further information, please contact:
Mark Wadley, Head of Investor Relations
investor.relations@lifehealthcare.co.za

Rosebank
13 October 2021
Sponsor
RAND MERCHANT BANK (A division of FirstRand Bank Limited)