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 31 MARCH 2022

Life Healthcare is pleased to provide shareholders with a voluntary trading update covering the six-month period from 1 October 2021 to 31 March 2022 (the current period or H1-2022). Reference is also made to the six-month period from 1 October 2020 to 31 March 2021 (the prior period or H1-2021) and the 12-month period from 1 October 2020 to 30 September 2021 (FY2021).

Group trading highlights include:

- The southern African operations delivered 3-5% revenue growth year-on-year for H1-2022 while the normalised EBITDA* margin for the H1-2022 period has improved to c.17% compared to 16.6% for the H1-2021 period
- Continued volume growth across all Alliance Medical Group (AMG) regions has led to revenue growth of 1-3% year-on-year for H1-2022 (in Rand). The ending of COVID-19-related contracts for the UK's National Health Service (NHS) has resulted in slower revenue growth as well as a reduction of AMG's normalised EBITDA margin to c.21% (from 24.8% in H1-2021)
- Group revenue has increased by 3-5% year-on-year for H1-2022 while the Group normalised EBITDA margin is c.17% versus 18.6% in H1-2021. The lower Group margin is due to the reduced AMG margin following the ending of the COVID-19-related NHS UK contracts in particular
- Cash generation within the Group remains strong and net debt to normalised EBITDA is c.2.0x, compared to the 1.82x reported at 30 September 2021 and 2.78x reported at 31 March 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.*

Southern Africa overview

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

The acute hospital business delivered a robust result in the period, with particularly strong activity levels during February and March 2022. The business started the current period with improved activity levels during October and November 2021. The seasonally quiet December 2021 and early January 2022 period was impacted by the fourth COVID-19 wave given that this wave saw far fewer COVID-19 admissions with lower levels of acuity than we experienced in previous waves. As a result, activities and occupancy levels across our hospitals during December and early January were lower than anticipated and lower than at the same time in the prior period. However, since mid-January we have seen a strong recovery in a broad range of surgical and medical activities in our hospitals. This has resulted in underlying PPDs growing 2% year-on-year. Average occupancies in H1-2022 were c.58%, versus 57% for H1-2021, but understate the average occupancy level of c.66% seen over the last 8-10 weeks.

The 2% PPD growth has been achieved despite a lower length of stay as the case mix has started to normalise with a reduction in the COVID-19 admissions and a corresponding increase in surgical activity. This has resulted in theatre minutes increasing by c.10% year-on-year.

H1-2022 revenue for southern Africa grew by 3-5% versus H1-2021 and the normalised EBITDA margin for the period is c.17% compared with the 16.6% we reported at H1-2021 and 17.1% for FY2021. The EBITDA margin was positively impacted by the higher activity levels and occupancies since mid-January 2022, tighter management of costs and a reduction in COVID-19-related expenses. Some of these benefits were offset by the early nursing salary increases (implemented in October 2021 versus January 2022) as part of our staff retention strategy, and the lower occupancies during late December 2021 and early January 2022.

International overview
International revenue includes revenue from AMG only.

AMG has continued to deliver strong results in the current period with all 3 major geographies (the United Kingdom (UK), Italy and Ireland) delivering higher scan volumes than in the prior period.

In the UK, Diagnostic Imaging (DI) volumes saw pleasing H1-2022 growth of c.5% year-on-year notwithstanding the ending of COVID-19-related CT contracts with the NHS after 30 September 2021. The mobile units that delivered these COVID-19-related CT contracts have been redeployed elsewhere for other NHS work, although tariffs for this work have reverted to normal prevailing NHS tariffs. This has resulted in lower revenue and EBITDA per scan when compared with the prior period, although this impact was in-line with our expectations.

PET-CT volumes in the UK have continued to grow strongly in H1-2022 and were c.12% higher than H1-2021 volumes.

In Italy DI and PET-CT volumes for the H1-2022 period were c.2% higher year-on-year than H1-2021. The Irish business has continued to benefit from a rebound in activity and increased public sector contracting resulting in H1-2022 volumes being c.25% higher than in H1-2021.

These operational results have resulted in AMG delivering 1-3% revenue growth year-on-year (in Rand) for the H1-2022 period. The normalised EBITDA margin for AMG has moderated to c.21% versus the 24.8% we reported at H1-2021, given the reduced tariff mix following the ending of the COVID-19-related CT contracts. The AMG results have also been negatively impacted due to a c.5% weakening of the Euro versus the Pound during the period.

As per the announcement released by the Group on the Stock Exchange News Service on 1 April 2021, the Group completed the disposal of Scanmed S.A. in Poland to Abris Capital Partners on 26 March 2021, with net proceeds after transaction costs and withholding tax amounting to R681 million. It is important to note that our H1-2021 earnings were positively impacted (+6.0 cents per share) by this profit from the discontinued Scanmed S.A. operations (net of tax) of R87 million, which does not reoccur in the H1-2022 results.

Growth initiatives
Life Molecular Imaging (LMI) is our primary international growth initiative. At present, in the absence of Aduhelm® reimbursement agreements with payors in the US, we have yet to see a ramp-up in commercial sales of our tracer Neuraceq®. The European and Japanese drug authorities have not approved Biogen’s Aduhelm® which is likely to delay any commercial sales of Neuraceq® in these territories in the foreseeable future. However, we have seen increased sales of Neuraceq® for other Alzheimer’s drug trials as other pharmaceutical companies increase the pace of their clinical trials.

The increase in clinical trial sales of Neuraceq® and other LMI products has resulted in LMI’s revenue growing by c.30% (in Rands) in H1-2022 versus H1-2021.

Within the southern African growth initiatives, good progress continues to be made within the renal dialysis and oncology businesses and we successfully completed our first transaction within the South African (SA) imaging market, with the acquisition of the imaging assets of the East Coast Radiology practice. This deal became effective on 1 February 2022. We hope to provide more detail on our progress with other SA imaging acquisitions during the course of the current financial year.

The process to build two cyclotrons in South Africa has commenced following the announcement of the establishment of the joint venture with AXIM in November 2021.

2022 interim financial results
Life Healthcare expects to release its interim results for the six months to 31 March 2022 on or about 26 May 2022.

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:
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Dunkeld
11 April 2022

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