



Unaudited Group interim results

for the six months ended 31 March 2023,
and cash dividend declaration

Our core purpose is

Making life better



International healthcare provider

Offering an integrated healthcare model and diagnostic imaging capability

Diversified offering

With a growing share of revenue and earnings from non-acute sources

Clinical excellence, analytics and technology

Focus on our employees, clinicians, clinical excellence and using analytics and technology to positively impact patient care

Our vision

Our **vision** is to be an international healthcare provider delivering **measurable clinical quality** through a **diversified** offering and **people-centred** approach.

Our mission

We **improve** the lives of people through the **delivery** of **high-quality, cost-effective care**.

Highlights

REVENUE

+ 12.9%
to R15.3 billion

NORMALISED EBITDA*

+ 13.5%
to R2.7 billion

NORMALISED EARNINGS PER SHARE (NEPS)*

+1.1%
to 44.6 cents

INTERIM DIVIDEND

+13.3%
to 17 cents

ACTIVITIES

- Two additional networks added from January 2023
- Announced the acquisition of the non-clinical operations of TheraMed Nuclear¹
- Announced the acquisition² of the assets and operations of 51 renal dialysis clinics in southern Africa from Fresenius Medical Care, subject to Competition Commission approval

SOUTHERN AFRICAN PAID PATIENT DAYS (PPDs)

↑12.5%

INTERNATIONAL SCAN VOLUMES

↑7.1%

* Non-IFRS measures.

¹ Announced on 17 March 2023.

² Announced on 19 May 2023, after the H1-2023 period.



Commentary

OVERVIEW

Life Healthcare has delivered an excellent operating performance and achieved good traction in the execution of our growth strategy for the six-month period to 31 March 2023 (H1-2023, or the current period).

The Group's southern African operations experienced strong demand for their services which led to higher utilisation of the Group's diversified hospital and complementary services. This higher utilisation has assisted in improving the operational leverage and increasing the normalised EBITDA margin. The business, though, has experienced increased costs from salary inflation and additional costs associated with the electricity crisis in South Africa.

The business secured additional network deals with the Government Employee Medical Scheme (GEMs) and Medscheme. These networks came into effect in January 2023 and position Life Healthcare as the foremost designated network services provider in the country. Patient volumes from these arrangements have exceeded initial expectations.

In line with our strategy of growing the non-acute portion of our business:

- ◆ We are advancing our molecular imaging capability in southern Africa (SA) with the announcement on 17 March 2023 of the acquisition of the non-clinical imaging operations of TheraMed Nuclear (TheraMed), a Gauteng-based nuclear imaging business with three outpatient clinics, adding PET-CT and SPECT-CT capabilities to our SA imaging business. This is in addition to the two cyclotrons the business is developing under a joint venture with AXIM.
- ◆ On 19 May 2023 we announced the acquisition of the assets and operations of 51 renal dialysis clinics in southern Africa from Fresenius Medical Care. This transaction supplements the existing 34 renal dialysis clinics within our complementary services business and significantly enhances our countrywide renal dialysis footprint. This transaction is subject to approval by the Competition Commission.

We launched our integrated care product for patients with chronic kidney disease in January 2023. This product is designed to improve the patient experience and clinical outcomes, while also being more cost effective for funders. The transaction with Fresenius Medical Care will enable more patients to access the integrated renal care product.

Alliance Medical Group (AMG) continued to see good volume growth across all geographies, especially in Ireland. The number of operational Community Diagnostic Centres (CDCs) within the United Kingdom (UK) has increased to seven. The normalised EBITDA margin benefited from the increased activity but it has also been negatively impacted by the increase in costs due to high inflation in all the markets it operates in as well as the opening of the new CDCs.

In the current period there has been positive news flow on the development of Alzheimer's disease modifying drugs (DMDs). Eisai and Biogen's Alzheimer's drug Leqembi™ received accelerated Food and Drug Administration (FDA) approval in January 2023, with a decision regarding full FDA approval likely to be made in July 2023. In addition, recent news flow regarding donanemab, another Alzheimer's drug being developed by Eli Lilly, has also been positive with full trial details to be published in July 2023.

Highlights for the period include:

- ◆ SA revenue grew 11.6% year-on-year driven by strong hospital and complementary services paid patient day (PPD) growth of 12.5% resulting in higher occupancies and operational leverage which drove normalised EBITDA up by 13.5%
- ◆ AMG revenue grew 15.5% year-on-year (in ZAR) driven by strong growth in Ireland and northern Europe along with continued growth in the UK and Italy. AMG's normalised EBITDA grew 10.8%, which is commendable given the significant salary and energy cost inflation seen versus the prior period
- ◆ Life Molecular Imaging (LMI) revenue grew 24.6% year-on-year driven by continued demand for its pipeline of radioisotopes in ongoing clinical trials, as well as a small contribution from sales of NeuraCeq® related to the commercial usage of the recently approved Alzheimer's DMD Lecanemab (lecanemab)
- ◆ The acquisition announcements of TheraMed, which will enhance our SA imaging strategy, and the assets and operations of Fresenius Medical Care's 51 renal dialysis clinics, which will enhance our renal dialysis footprint in southern Africa
- ◆ Group revenue grew 12.9% while normalised EBITDA grew by 13.5% year-on-year. Increased depreciation and interest costs and a number of non-trading items negatively impacted normalised earnings per share (NEPS), which increased by 1.1%
- ◆ The Group remains in a strong financial position with net debt to normalised EBITDA at 2.17x versus 2.03x reported for the six-month period to 31 March 2022 (H1-2022, or the prior period)
- ◆ The Board has declared an interim cash dividend of 17 cents per share (H1-2022: 15 cents)

Summarised financials

	2023	2022	Change
	R'm	R'm	%
Revenue	15 290	13 544	12.9
Normalised EBITDA	2 690	2 371	13.5
Normalised EBITDA margin (%)	17.6	17.5	
Attributable profit to ordinary shareholders	547	602	(9.1)
Normalised earnings per share (NEPS) (cents)	44.6	44.1	1.1

OPERATIONAL REVIEWS

Southern Africa

In southern Africa, the hospitals and complementary services segment comprises all the acute hospitals while complementary services include mental health, acute rehabilitation, renal dialysis, oncology and imaging services. The healthcare services segment comprises Life Nkanyisa and Life Health Solutions.

	2023 R'm	2022 R'm	Change %
Revenue	10 598	9 499	11.6
Hospitals and complementary services	9 963	8 811	13.1
Healthcare services	635	688	(7.7)
Normalised EBITDA	1 842	1 623	13.5
Operational EBITDA	1 797	1 578	13.9
Hospitals and complementary services	1 714	1 507	13.7
Healthcare services	83	71	16.9
Corporate recoveries	808	675	19.7
Corporate costs	(763)	(630)	(21.1)
Normalised EBITDA margin (incl. corporate)	17.4%	17.1%	
Normalised EBITDA margin (excl. corporate)	17.0%	16.6%	
Hospitals and complementary services margin	17.2%	17.1%	
Healthcare services margin	13.1%	10.3%	

H1-2023 revenue for southern Africa grew 11.6% and normalised EBITDA grew by 13.5% year-on-year with the normalised EBITDA margin expanding to 17.4% (versus 17.1% at H1-2022).

Operational EBITDA, which excludes corporate recoveries and costs, grew by 13.9% year-on-year and the normalised EBITDA margin excluding these corporate items expanded to 17.0% from 16.6% in the prior period.

This excellent operational result was driven by the higher demand for the Group's hospitals and complementary services which led to better utilisation of our facilities and ongoing management of costs.

Corporate costs grew by 21.1% during H1-2023 due to our ongoing strategic investments in data and analytics and the development of capabilities required to deliver new clinical products, as well as costs related to enhancing the IT environment and our cyber security function. Pleasingly, the Group has made good progress with the upgrades to IT systems at all SA facilities which will now allow for additional digital capabilities and products to be introduced across our facilities.

In our southern African business R514 million was spent on capex during the current period (H1-2022: R605 million). A significant proportion of this capex (R418 million) was spent on refurbishment and portfolio optimisation of our existing facilities. We also deployed R96 million into various growth projects.

Acute hospitals

Our acute hospitals delivered excellent results in the current period. Admissions grew 12.0% year-on-year while PPDs grew by 13.1%. Our length of stay was 3.7 days in H1-2023 (versus 3.7 days in H1-2022), which suggests that the normalisation of our case mix is largely complete. The PPD growth benefited from the new network deals which commenced in January 2023.

The strong PPD growth translated into higher occupancies across our acute hospital facilities, with weighted average occupancy of 65.5% in the current period versus 57.7% in the prior period. 50.9% of our acute hospital PPDs were medical patients, which represents a much more normalised case mix versus that seen during the COVID-19 pandemic. During the current period we still had almost 14 000 COVID-19 PPDs across our facilities, which represented c.1.5% of our medical PPDs (down from 7.6% in H1-2022).

Acute hospital revenue grew 12.1% year-on-year. Revenue was positively impacted by the strong PPD growth, but negatively impacted by a lower revenue/PPD which was driven by the case mix change and the network deal discounts.

Complementary services

Our complementary services also performed very strongly in the current period with revenue growth of 26.3% year-on-year.

Total PPDs grew by 8.3%, largely on the back of **mental health** PPD growth of 11.4% year-on-year while **acute rehabilitation** PPDs grew by 2.7% year-on-year.

Renal dialysis treatments grew by 8.5% year-on-year due to ongoing demand. The integrated care product for patients with chronic kidney disease was launched in January 2023. This product has been well received by patients and is designed to improve the patient experience and clinical outcomes by providing more consistent and holistic care while also being more cost effective for funders.

We recently announced that we will acquire the renal dialysis assets of Fresenius Medical Care, subject to Competition Commission approval. The transaction will see Life Healthcare acquire 51 renal dialysis clinics, integrate their 500 employees and continue to support their c. 2 500 patients in South Africa, Namibia and eSwatini. The acquisition will complement our existing renal dialysis footprint and increase the scale of our integrated renal care product.

Oncology treatments grew by 10.1% during the current period. The Varian Ethos radiotherapy machine which was installed at our Life Vincent Pallotti Hospital during 2022 has seen excellent utilisation as our team of oncologists embrace this cutting-edge technology. In addition, the completion of the new oncology ward at Life Vincent Pallotti Hospital positions this facility as an oncology centre of excellence.

SA imaging scan volumes grew by >100% during the current period, with both East Coast Radiology (ECR) and Eugene Marais Radiology (EMR) continuing to deliver ahead of expectations in terms of volumes and revenue. The strong volume growth is largely due to the inclusion of ECR from February 2022 onwards, while EMR was only included from August 2022 onwards.

In April 2023 we announced the acquisition of the non-clinical operations of TheraMed in Gauteng. TheraMed is a nuclear medicine and molecular imaging business offering advanced-technology medical scanning services for the detection and treatment of diseases, such as organ dysfunction and cancer. The acquisition further entrenches our commitment to investing in medical imaging in South Africa, with our capability now extending into nuclear and molecular imaging.

Commentary continued

TheraMed operates three sites in Gauteng in association with one of the largest multi-site diagnostic radiology practices in South Africa, which will continue to provide associated clinical radiology services going forward. The three sites will allow Life Healthcare to provide advanced nuclear medicine and molecular imaging offerings, including diagnostics scans such as Positron emission tomography-CT (PET-CT) and Single-Photon Emission Computed Tomography (SPECT-CT). The deal is likely to be finalised during the course of 2023.

We have placed an order for the two cyclotrons to be installed into the ALISA radiopharmacy facility we have started building with our joint venture partner AXIM.

As part of our longer-term SA imaging strategy, we are in ongoing discussions with the radiology practices at some of our facilities to acquire the non-clinical imaging operations.

These investments into SA imaging, TheraMed and ALISA are the initial building blocks of a long-term strategy that will culminate in us operating a large-scale imaging business and a vertically integrated radiopharmacy and nuclear imaging business in SA.

Healthcare services

Revenue from our healthcare services business decreased by 7.7% to R635 million (H1-2022: R688 million). Normalised EBITDA grew by 16.9% resulting in the normalised EBITDA margin expanding to 13.1% (versus 10.3% in H1-2022).

The decline in revenue was largely due to reduced revenue and commercial contracts in Life Health Solutions during H1-2023, although the restructuring, while at an early stage, has led to some normalised EBITDA margin improvement during the current period.

Life Nkanyisa has delivered another consistent performance during the current period with revenues growing in line with inflation while the high occupancies within these facilities continue to deliver stable normalised EBITDA margins.

International operations

The Group's International segment only includes revenue from AMG's diagnostic imaging services.

	2023 R'm	2022 R'm	Change %
Revenue			
Diagnostic services	4 403	3 813	15.5
UK	2 223	1 964	13.2
Italy	1 194	1 090	9.5
Ireland	603	451	33.7
Other	383	308	24.4
Normalised EBITDA			
Diagnostic services	893	806	10.8
Normalised EBITDA margin (%)	20.3	21.1	

AMG delivered strong results in the current period, with growth across most geographies.

International operations continued

In the **UK**, revenue grew by 13.2% year-on-year (in Rand). This was driven by PET-CT volumes growing by 9.9% year-on-year on the back of continued demand for PET-CT scanning due to ongoing efforts to identify cancer while in its early stages. Diagnostic Imaging (DI) volumes grew 4.4% year-on-year. We have made progress in expanding our footprint of CDCs. With the recent completion of the Oldham Northern Care Alliance CDC and the acquisition of the Taunton Diagnostic Centre, AMG now has seven CDCs in operation and a healthy pipeline of CDCs which are in advanced negotiation phase.

In **Italy** volumes for the current period were 4.4% lower year-on-year, largely attributable to higher than expected scan volumes in the prior period related to the COVID-19 scan backlog and weaker volumes in December 2022 than the business typically sees at the end of each calendar year. Azienda Sanitaria Locale (ASL) budget cycles typically start in January of each year in most regions, and so we have seen volumes improving through February and March. Revenue grew by 9.5% year-on-year (in Rand) with scanning case mix changes and pricing increases for private scans offsetting the lower volumes.

In **Ireland**, the business continues to benefit from strong demand and increased public sector contracting resulting in volumes in the current period being 16.8% higher than in H1-2022. Revenue grew by 33.7% year-on-year (in Rands) due to scanning case mix changes and price increases for private scans.

These operational results have resulted in AMG delivering 15.5% revenue growth year-on-year in Rand and 12.8% in pound sterling for the current period. Normalised EBITDA grew by 10.8% in Rand and 8.3% in pound sterling during H1-2023 with the normalised EBITDA margin moderating to 20.3% (versus 21.1% at H1-2022 and 20.8% reported for the full 2022 financial year). The impact of higher headcount, salary inflation and increased energy and transport costs all contributed to the lower margin. While inflation remains elevated in many geographies across Europe, energy costs have declined, and the impact of rising interest rates is likely to result in general inflation moderating further during the course of 2023.

AMG's capex budget for FY2023 is R1.6 billion. Half of this is earmarked for maintenance and replacement capex. During the current period R288 million has been spent on maintenance including the replacement of scanners. Approximately R400 million has been invested into growth opportunities which largely relate to the CDC roll-out.

Growth initiatives

Revenue from growth initiatives grew by 24.6% year-on-year (in Rands) while normalised EBITDA was a loss of R45 million. LMI is our primary international growth initiative.

NeuraCeq® is the main revenue driver for LMI and continues to generate sales from the clinical trials of disease modifying drugs within the Alzheimer's field. In addition, following the accelerated FDA approval of Eisai and Biogen's Alzheimer's drug Leqembi™ in January 2023, LMI has seen some commercial sales of NeuraCeq® in the USA where some patients have had PET-CT scans as part their work-up prior to commencing treatment with Leqembi™.

A full FDA approval application for Leqembi™ has been filed and the outcome of that filing is likely to be published in July 2023. Should the drug receive full FDA approval, it is likely that reimbursement of the drug will be forthcoming (but is not guaranteed). Filings for Leqembi™ approval in both Europe and elsewhere have also been made and the outcomes of these filings may also become known later in the year.

Commentary continued

Growth initiatives continued

Recent news flow regarding donanemab, another Alzheimer's drug being developed by Eli Lilly, has also been positive. The initial phase 3 trial data, which has been made public, demonstrated significant brain amyloid concentration reduction and a slowing of cognitive impairment associated with Alzheimer's disease. The full trial data will be published in July 2023 and Eli Lilly is then likely to file for full FDA approval.

The pick-up in commercial sales of NeuraCeq® and the positive news flow in the drug trial space makes it imperative for LMI to ensure that it has both the manufacturing capability and the sales and marketing capacity in place should demand for NeuraCeq® accelerate. With this in mind LMI is likely to spend c.R70 million during FY2023 on additional headcount and manufacturing infrastructure and currently has 38 sites with manufacturing agreements in place across the USA as well as Europe and Asia.

Group financial performance

Group revenue increased by 12.9% to R15.3 billion (H1-2022: R13.5 billion) consisting of an 11.6% increase in southern African revenue to R10.6 billion (H1-2022: R9.5 billion), a 15.5% increase in international revenue to R4.4 billion (H1-2022: R3.8 billion) and R289 million revenue contribution from growth initiatives (H1-2022: R232 million).

Normalised EBITDA increased by 13.5% to R2.7 billion (H1-2022: R2.4 billion). The normalised EBITDA growth was driven by strong revenue growth across all geographies coupled with some margin expansion in our southern African operations.

The results for the Group have been impacted by higher interest costs, given the significant interest rate increases experienced in both SA and internationally, and by a number of non-trading items in the period including:

- ◆ A R33 million impairment to goodwill within AMG for a small diagnostic imaging site in the UK that was closed down (see page 19 for additional information).
- ◆ As disclosed within the FY2022 results, the Group was disputing the interpretation by the tax authorities in South Africa, the South African Revenue Service (SARS), of a contractual arrangement between Life Healthcare and its subsidiary companies related to payroll services and the resultant VAT treatment. In FY2022 the Group made a provision of R199 million for a potential settlement with SARS. A final settlement was agreed and paid, even though there was no loss to the fiscus and the Group's strong legal and tax opinions on the matter. This resulted in an additional charge in the current period of R47 million (included as part of finance costs).

Earnings per share (EPS), headline earnings per share (HEPS) and normalised earnings per share (NEPS)

EPS decreased by 8.7% to 37.9 cents (H1-2022: 41.5 cents) while HEPS decreased by 3.4% to 40.0 cents (H1-2022: 41.4 cents).

NEPS, which excludes non-trading related items, increased by 1.1% to 44.6 cents (H1-2022: 44.1 cents). The presentation of normalised earnings metrics are non-IFRS measures.

Our EPS and HEPS metrics have been impacted by the non-trading items referred to above. A reconciliation of the movements between EPS, HEPS and NEPS is shown on page 9.

Reconciliation of headline earnings (HEPS) and normalised earnings (NEPS)¹

	2023 R'm	2022 R'm	Change %	2023 cps	2022 cps	Change %
Weighted average number of shares at the end of the period (millions)	1 443	1 452	(0.6)			
Profit attributable to ordinary equity holders	547	602	(9.1)	37.9	41.5	(8.7)
Adjustments (net of tax and non-controlling interest):						
Impairment of investment	33	–		2.3	–	
Profit on disposal of property, plant and equipment	(2)	(1)		(0.2)	(0.1)	
Headline earnings	578	601	(3.8)	40.0	41.4	(3.4)
Transaction costs relating to acquisitions	–	4		–	0.3	
Interest on SARS VAT matter	47			3.3	–	
Unwinding of contingent consideration	28	35		1.9	2.4	
Other ²	(10)	–		(0.6)	–	
Normalised earnings¹	643	640	0.5	44.6	44.1	1.1

¹ Non-IFRS measure.

² Other includes fair value loss on equity investment and international tax refund.

Financial position and liquidity

The Group remains in a strong financial position with net debt to normalised EBITDA (as per bank covenant definitions) as at 31 March 2023 of 2.17 times, compared to the 1.89 times reported at 30 September 2022, and remains within our covenant of 3.5 times.

Cash generated from operations was impacted by an IT hardware failure during March 2023 at a service provider which hosts the Group's billing administration system. This issue has been resolved and should lead to an improvement in cash generation for the remainder of the year.

The available undrawn bank facilities as at 31 March 2023 amounted to R3.8 billion.

Commentary continued

Cash dividend

The Board approved an interim gross cash dividend of 17.0 cents per ordinary share (H1-2022: 15 cents). The dividend has been declared from income reserves and is subject to South African dividend withholding tax of 20%, which will be applicable to all shareholders not exempt therefrom, after deduction of which the net cash dividend is 13.60000 cents per share.

The Company's total number of issued ordinary shares is 1 467 349 162 as at 25 May 2023.

The Company's income tax reference number is 9387/307/15/1.

In compliance with the requirements of the JSE, the following salient dates are applicable:

Last date to trade cum dividend	Monday, 12 June 2023
Shares trade ex the dividend	Tuesday, 13 June 2023
Record date	Thursday, 15 June 2023
Payment date	Monday, 19 June 2023

Share certificates may not be dematerialised or rematerialised between Tuesday, 13 June 2023 and Thursday, 15 June 2023, both days inclusive.

Outlook

For the twelve months to 30 September 2023 (FY2023), the Group expects continued activity growth in all the markets it operates.

For our SA operations, we currently anticipate continued volume growth in our core acute hospital business, driven by the normalisation of admission rates and case mix, as well as introduction of new funder network deals. For our hospitals and complementary services, we anticipate seeing c.10% PPD growth for the full year, inclusive of the volumes from the new network deals. With the improved activity levels we do expect better operational leverage but we remain cautious of the impact of the energy crisis and inflation pressures.

We will conclude and integrate the acquisition of TheraMed during the remainder of FY2023.

For AMG we expect to see continued good growth in demand for our scanning services in the UK and Ireland and we remain excited about the CDC rollout. We look forward to the outcome of Eisai/Biogen's full FDA drug filing for Leqembi™ in the USA in July 2023, following which we hope to hear late in 2023 whether the drug will be reimbursed within the USA.

The Group remains likely to spend R2.9 billion in capital expenditure in FY2023 which will be funded from internal sources or debt.

Receipt of unsolicited proposals to acquire the Group's interest in AMG

With reference to the cautionary announcement last renewed on 26 April 2023 on SENS, the board of directors of Life Healthcare (Board), through its advisers, continues to formally engage with the third parties regarding their unsolicited proposals to acquire the Group's interest in AMG (Proposals). The engagement is centred around ascertaining the viability of the Proposals and as a consequence whether a sale of AMG, if implemented, would be in the interests of all stakeholders. The Company will remain under cautionary until further announcements are made.

Changes to the board of directors and board committees

Shareholders and noteholders are referred to the announcement released on SENS on 23 February 2023, in which, in keeping with the Board's succession and diversity plans and strategy, the Group announced the appointments of Mr Paul Moeketsi and Mr Fulvio Tonelli as independent non-executive directors of the Board, with effect from 23 February 2023 and 1 April 2023 respectively. The Group also announced that Mr Peter Golesworthy would step down as the Lead Independent Director of the Company with effect from 23 February 2023 and that Advocate Mahlape Sello would be appointed as the Lead Independent Director for the Company, from 23 February 2023. The Board acknowledges the exceptional guidance and support that has been provided by Mr Golesworthy as the Lead Independent Director and thanks him for his invaluable contribution during his tenure.

As per the SENS announcement on 26 January 2023, Mr Royden Vice formally retired from the Board with effect from the date of the Company's AGM on 25 January 2023. Mr Vice, who joined the Board in 2014, served as a member on the Audit and Investment Committees and previously chaired the Human Resources and Remuneration Committee. The Board wishes to thank him for his significant contribution over the years and wishes him the very best in his retirement.

In addition, the Group also announced that Dr Malefetsane Ngatane formally resigned as an independent non-executive director of the Board, with effect from 22 February 2023, having been with the Company prior to its listing in 2010. The Board wishes to thank Dr Ngatane for his dedicated service and outstanding contribution to the Board during his tenure and wishes him the very best during his well-deserved retirement.

With effect from the date of their appointments, Mr Moeketsi will serve on the Investment, Human Resources and Remuneration and Risk, Compliance and IT Governance Committees and Mr Tonelli will serve on the Audit, Human Resources and Remuneration and Nominations and Governance Committees of the Company.

Thanks

The Company's ability to effectively respond to operational challenges, while continuing to provide quality care to its patients, is largely due to the resilience, dedication and unwavering support of its employees, doctors and other healthcare professionals. Life Healthcare would like to thank them for their tireless work and for the care they deliver.

Investor presentation

Shareholders are advised that the investor presentation for the six months ended 31 March 2023 has been published on Life Healthcare's website (www.lifehealthcare.co.za).

Approved by the board of directors on 24 May 2023 and signed on its behalf:

Dr Victor Lithakanyane
Chairman

Mr Peter Wharton-Hood
Group Chief Executive

Condensed consolidated statement of profit or loss

for the six months ended 31 March 2023

	Notes	2023 R'm	Change %	2022 R'm
Revenue	1	15 290	12.9	13 544
Other income		99		114
Operating expenses		(13 899)		(12 375)
Fair value (loss)/gain on financial instruments		(22)		15
Impairment of investment		(33)		–
Profit on disposal of property, plant and equipment		4		1
Transaction costs		–		(4)
Operating profit		1 439	11.1	1 295
Finance income		60		26
Finance cost	2	(581)		(324)
Share of associates' and joint ventures' net profit after tax		12		12
Profit before tax		930	(7.8)	1 009
Tax expense		(305)		(328)
Profit after tax		625	(8.2)	681
Profit after tax attributable to:				
Ordinary equity holders of the parent		547	(9.1)	602
Non-controlling interest		78		79
		625	(8.2)	681
Earnings per share (cents)				
Basic		37.9	(8.7)	41.5
Diluted		37.7	(8.5)	41.2

Condensed consolidated statement of comprehensive income

for the six months ended 31 March 2023

	2023 R'm	Change %	2022 R'm
Profit after tax	625	(8.2)	681
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Movement in foreign currency translation reserve (FCTR)	1 220		(664)
<i>Items that will not be reclassified to profit or loss</i>			
Retirement benefit asset and post-employment medical aid, net of tax ¹	(33)		8
Total comprehensive income for the period	1 812	>100	25
Total comprehensive income attributable to:			
Ordinary equity holders of the parent	1 729	>100	(41)
Non-controlling interest	83		66
	1 812	>100	25

¹ Includes tax of R13 million (2022: R3 million).

Headline earnings per share

for the six months ended 31 March 2023

	2023 R'm	Change %	2022 R'm
Weighted average number of shares (million)	1 443	(0.6)	1 452
Diluted weighted average number of shares (million)	1 454	(0.4)	1 460
Headline earnings per share (cents)	40.0	(3.4)	41.4
Diluted headline earnings per share (cents)	39.8	(3.4)	41.2
Headline earnings (R'm)			
Profit attributable to ordinary equity holders	547		602
Adjustments			
Impairment of investment	33		–
Profit on disposal of property, plant and equipment	(4)		(1)
Tax effect on adjustments	2		–
Headline earnings	578	(3.8)	601

Condensed consolidated statement of financial position

as at 31 March 2023

	Notes	31 March 2023 R'm	30 September 2022 R'm
ASSETS			
Non-current assets			
Property, plant and equipment		36 274	34 454
Intangible assets ¹		15 971	15 566
Deferred tax assets		17 816	16 514
Other non-current assets		1 785	1 739
		702	635
Current assets			
Cash and cash equivalents		7 998	7 784
Other current assets ²		1 368	2 802
		6 630	4 982
Total assets		44 272	42 238
EQUITY			
Attributable to equity holders of the Company		20 167	18 746
Stated capital		13 303	13 342
Reserves		6 864	5 404
Non-controlling interest		1 035	1 114
Total equity		21 202	19 860
LIABILITIES			
Non-current liabilities			
Interest-bearing borrowings	4	15 281	14 729
Deferred tax liabilities		12 698	12 124
Other non-current liabilities	5	1 751	1 770
		832	835
Current liabilities			
Bank overdrafts		7 789	7 649
Interest-bearing borrowings	4	858	335
Other current liabilities	5	1 139	1 226
		5 792	6 088
Total liabilities		23 070	22 378
Total equity and liabilities		44 272	42 238

¹ Intangible assets increased mainly as a result of a R1.5 billion foreign currency translation movement.

² The Group was impacted by an IT hardware failure during March 2023 at a service provider which hosts the Group's billing administration system. This resulted in an increase in trade receivables of approximately R1.4 billion. The issue has been resolved.

Condensed consolidated statement of changes in equity

for the six months ended 31 March 2023

	Attributable to equity holders of the Company R'm	Non- controlling interest R'm	Total equity R'm
Balance at 1 October 2022	18 746	1 114	19 860
Total comprehensive income for the period	1 729	83	1 812
Profit for the period	547	78	625
Other comprehensive profit	1 182	5	1 187
Transactions with non-controlling interests	(1)	(24)	(25)
Purchase of treasury shares for staff benefit schemes ¹	(65)	–	(65)
Distributions to shareholders	(367)	(138)	(505)
Transferred in terms of co-investment scheme (CIP)	17	–	17
Share-based payment charge for staff benefit schemes	108	–	108
Balance at 31 March 2023	20 167	1 035	21 202
Balance at 1 October 2021	18 066	1 105	19 171
Total comprehensive (loss)/income for the period	(41)	66	25
Profit for the period	602	79	681
Other comprehensive loss	(643)	(13)	(656)
Transactions with non-controlling interests	3	(7)	(4)
Purchase of treasury shares for staff benefit schemes ¹	(250)	–	(250)
Distributions to shareholders	(367)	(110)	(477)
Share-based payment charge for staff benefit schemes	94	–	94
Balance at 31 March 2022	17 505	1 054	18 559
¹ Mainly relates to:		2023	2022
<i>Purchase of 2.5 million (2022: 9.2 million) shares, relating to the co-investment scheme. The scheme was introduced at the end of FY2021 and the initial grant was made on 1 December 2021.</i>		43	217
<i>Purchase of 0.8 million (2022: 0.9 million) shares relating to long-term incentive schemes.</i>		22	33
		65	250

Condensed consolidated statement of cash flows

for the six months ended 31 March 2023

	2023 R'm	Change %	2022 R'm
Cash generated from operations ¹	1 116	(39.8)	1 855
Finance income received	60		26
Tax paid	(309)		(324)
Net cash generated from operating activities	867	(44.3)	1 557
Purchase of property, plant and equipment and intangible assets	(1 206)		(1 129)
Business combinations (net of cash acquired)	–		(237)
Loan to joint venture	(103)		–
Contingent consideration paid	(59)		–
Other	6		2
Net cash utilised in investing activities	(1 362)		(1 364)
Repayment of interest-bearing borrowings	(430)		(792)
Dividends paid to Company's shareholders	(369)		(367)
Finance cost paid	(540)		(289)
Other ²	(229)		(378)
Net cash utilised in financing activities	(1 568)		(1 826)
Net decrease in cash and cash equivalents	(2 063)		(1 633)
Cash and cash equivalents – beginning of the period	2 467		2 347
Effect of foreign currency rate movements	106		(69)
Cash and cash equivalents at end of the period³	510		645

¹ Cash generated from operations was impacted by an IT hardware failure during March 2023 at a service provider which hosts the Group's billing administration system. This issue has been resolved and should lead to an improvement in cash generation for the remainder of the year.

² Other includes the following cash outflows: distributions to non-controlling interest of R138 million (2022: R104 million), cash flow on increases in ownership interests of R40 million (2022: R42 million), and treasury shares acquired for delivery to staff schemes of R65 million (2022: R250 million) set off by the proceeds received on decreases in ownership interests of R14 million (2022: R18 million).

³ Cash and cash equivalents at the end of the period are net of bank overdrafts.

Segmental information

for the six months ended 31 March 2023

IFRS 8 requires operating segments to be identified on the basis of internal reports about the components of the Group that are regularly reviewed by the Chief Operating Decision Maker (CODM) in order to allocate resources to the segments and to assess their performance.

The Group's segments are aligned to those business units that are evaluated regularly by the CODM in deciding how to allocate resources and in assessing performance.

In southern Africa, the hospitals and complementary services segment comprises all the acute hospitals and complementary services which include mental health, acute rehabilitation, renal dialysis, oncology and imaging services. The healthcare services segment comprises Life Nkanyisa (formerly Life Esidimeni) and Life Health Solutions.

International comprises diagnostic services (AMG) across Europe and the UK.

Growth initiatives comprise broadening the Group's exposure across the healthcare continuum and include the development of cyclotron capability and clinical quality products within South Africa and product development (LMI) internationally.

The corporate segment is a non-operating segment.

The operating businesses have been aggregated into different segments based on the similar nature of products and services, similar economic characteristics, similar types of customers and operating in a similar regulatory environment.

Inter-segment revenue of R11 million (2022: R12 million) is eliminated of which R3 million (2022: R3 million) relates to revenue between Life Health Solutions and the southern Africa business and R8 million (2022: R9 million) between LMI and AMG.

	2023	2022
	R'm	R'm
Revenue¹		
Southern Africa		
Hospitals and complementary services	9 963	8 811
Healthcare services	635	688
International		
Diagnostic services	4 403	3 813
Growth initiatives	289	232
	15 290	13 544

¹ Revenue of approximately 33% (2022: 33%) is derived from two (2022: two) external customers. The revenue is attributable to the southern Africa segment.

Segmental information continued

for the period ended 31 March 2023

	2023 R'm	2022 R'm
Normalised EBITDA^{1,3}		
Southern Africa		
Hospitals and complementary services	1 714	1 507
Healthcare services	83	71
International		
Diagnostic services	893	806
Growth initiatives	(45)	(58)
Corporate		
Recoveries	808	675
Corporate costs	(763)	(630)
	2 690	2 371
Depreciation		
Southern Africa		
Hospitals and complementary services	(398)	(362)
Healthcare services	(16)	(13)
International		
Diagnostic services	(429)	(390)
Growth initiatives	(10)	(8)
Corporate	(44)	(38)
	(897)	(811)
EBITA^{2,3}		
Southern Africa		
Hospitals and complementary services	1 316	1 145
Healthcare services	67	58
International		
Diagnostic services	464	416
Growth initiatives	(55)	(66)
Corporate	1	7
	1 793	1 560

¹ Normalised EBITDA is defined as operating profit before depreciation on property, plant and equipment, amortisation of intangible assets and non-trading-related costs or income.

² EBITA is defined as normalised EBITDA less depreciation.

³ Non-IFRS measures.

	2023 R'm	2022 R'm
Amortisation of intangible assets		
Southern Africa		
Hospitals and complementary services	(23)	(12)
International		
Diagnostic services	(228)	(224)
Growth initiatives	(10)	(10)
Corporate	(42)	(31)
	(303)	(277)
Operating profit before non-trading items^{1, 2}		
Southern Africa		
Hospitals and complementary services	1 293	1 133
Healthcare services	67	58
International		
Diagnostic services	236	192
Growth initiatives	(65)	(76)
Corporate	(41)	(24)
	1 490	1 283
Fair value (loss)/gain on financial instruments	(22)	15
Impairment of investment ³	(33)	–
Profit on disposal of property, plant and equipment	4	1
Transaction costs	–	(4)
Operating profit	1 439	1 295
Finance income	60	26
Finance cost	(581)	(324)
Share of associates' and joint ventures' net profit after tax	12	12
Profit before tax	930	1 009

¹ Operating profit before non-trading items includes the segment's share of shared services and rental costs. These costs are all at market-related rates.

² Non-IFRS measure.

³ A site in the UK was closed due to a change in market conditions. The goodwill allocated to the site was impaired.

Segmental information continued

for the period ended 31 March 2023

	31 March 2023 R'm	30 September 2022 R'm
Total assets before items below		
Southern Africa (including growth initiatives)	17 467	17 160
International (including growth initiatives)	24 640	22 836
	42 107	39 996
Employee benefit assets	349	415
Deferred tax assets	1 785	1 739
Derivative financial assets	16	24
Income tax receivable	15	64
Total assets per the statement of financial position	44 272	42 238
Net debt^{1, 2}		
Southern Africa (including growth initiatives)	4 964	3 688
International (including growth initiatives)	8 363	7 195
	13 327	10 883
Cash and cash equivalents (net of bank overdrafts)		
Southern Africa (including growth initiatives)	(411)	1 190
International (including growth initiatives)	921	1 277
	510	2 467

¹ Net debt is a key measure for the Group, which comprises all interest-bearing borrowings, overdraft balances and cash and cash equivalents.

² Non-IFRS measure.

GEOGRAPHICAL INFORMATION

The Group's revenue from external customers and information about its segment assets (non-current assets excluding employee benefit assets, deferred tax assets and financial assets) by geographical locations are:

	Revenue from external customers		Non-current assets	
	March 2023	March 2022	31 March 2023	30 September 2022
	R'm	R'm	R'm	R'm
Southern Africa	10 598	9 499	12 348	12 491
International	4 403	3 813	20 746	18 871
UK	2 223	1 964	17 166	15 580
Italy	1 194	1 090	2 359	2 181
Ireland	603	451	612	498
Other	383	308	609	612
Growth initiatives	289	232	1 000	922
UK	14	6	977	897
Italy	4	4	–	–
Other	271	222	23	25
Total	15 290	13 544	34 094	32 284
Employee benefit assets			349	415
Deferred tax assets			1 785	1 739
Financial assets			46	16
Total as per statement of profit or loss and statement of financial position	15 290	13 544	36 274	34 454

Notes

1. REVENUE

The table below illustrates the disaggregation disclosure by primary geographical areas, type of customer and timing of revenue recognition, including a reconciliation of how the disaggregated revenue ties into the segmental report (refer page 17).

Management believes that both disaggregations depict how the nature, amount, timing and uncertainty of the Group's revenue and cash flows are affected by economic factors.

Segments	Hospitals and comple- mentary services R'm	Healthcare services R'm	Diagnostic services R'm	Growth initiatives R'm	Total R'm
2023					
Primary geographical areas					
Southern Africa	9 963	635	–	–	10 598
International	–	–	4 403	289	4 692
UK	–	–	2 223	14	2 237
Italy	–	–	1 194	4	1 198
Ireland	–	–	603	–	603
Other	–	–	383	271	654
	9 963	635	4 403	289	15 290
Type of customer					
Contract from customers					
Private (including private medical aids and cash-paying patients)	9 661	–	548	–	10 209
Government and public healthcare facilities	134	332	3 037	–	3 503
Corporate institutions	117	303	818	289	1 527
Rental revenue					
Rental income related to auxiliary services	51	–	–	–	51
	9 963	635	4 403	289	15 290
Timing of revenue recognition					
Over time	7 400	635	–	–	8 035
At a point in time	2 563	–	4 403	289	7 255
	9 963	635	4 403	289	15 290

Segments	Hospitals and comple- mentary services R'm	Healthcare services R'm	Diagnostic services R'm	Growth initiatives R'm	Total R'm
2022					
Primary geographical areas					
Southern Africa	8 811	688	–	–	9 499
International	–	–	3 813	232	4 045
UK	–	–	1 964	6	1 970
Italy	–	–	1 090	4	1 094
Ireland	–	–	451	–	451
Other	–	–	308	222	530
	8 811	688	3 813	232	13 544
Type of customer					
Contract from customers					
Private (including private medical aids and cash-paying patients)	8 608	–	490	–	9 098
Government and public healthcare facilities	152	314	2 602	–	3 068
Corporate institutions	–	374	721	232	1 327
Rental revenue					
Rental income related to auxiliary services	51	–	–	–	51
	8 811	688	3 813	232	13 544
Timing of revenue recognition					
Over time	6 519	684	–	–	7 203
At a point in time	2 292	4	3 813	232	6 341
	8 811	688	3 813	232	13 544

Notes continued

2. FINANCE COSTS

	2023	2022
	R'm	R'm
Interest on interest-bearing borrowings and bank overdrafts ¹	323	165
Interest on lease liabilities	94	97
Foreign exchange losses	66	9
Unwinding of contingent consideration	29	35
Interest on SARS VAT matter	47	–
Other	22	18
	581	324

¹ Increase is due to steep increases in interest rates in South Africa (JIBAR) and internationally (SONIA and Euribor) since Q1FY2022.

3. ACQUISITIONS AND DISPOSALS

Transactions with non-controlling interests

Increases and decreases in ownership interest in subsidiaries

The Group had marginal increases and decreases in its percentage shareholdings in some of its southern Africa subsidiary companies due to transactions with minority shareholders. The individual transactions are immaterial.

4. INTEREST-BEARING BORROWINGS

	31 March	30 September
	2023	2022
	R'm	R'm
Total borrowings at 1 October	13 350	12 725
Proceeds from interest-bearing borrowings	–	5 145
Repayment of interest-bearing borrowings	(430)	(4 811)
Additional lease liabilities recognised	64	379
Modification of lease liability	(28)	(12)
Other movements	2	(17)
Effect of foreign currency movement	879	(59)
Total borrowings	13 837	13 350

5. FINANCIAL INSTRUMENTS

Fair value

Other non-current assets and other current assets, as presented in the statement of financial position, include derivative financial instrument assets of R16 million (Sep 2022: R24 million) at fair value through profit or loss.

The fair value of interest rate swaps is calculated as the mark-to-market valuation, which represents the mid-market value of the instrument as determined by the financial institution at 31 March 2023.

Other non-current assets, as presented in the statement of financial position, include investment in a first-party Cell Captive of R37 million (Sep 2022: R10 million).

The investment in a first-party Cell Captive is mandatorily recognised at fair value through profit and loss. The fair value is derived from the net assets of the Cell Captive which mainly comprise financial assets and liabilities accounted for at fair value through profit or loss.

Other non-current liabilities and other current liabilities, as presented in the statement of financial position, include contingent consideration liabilities of R506 million (Sep 2022: R503 million).

Details of the contingent consideration liabilities are as follows:

	31 March 2023 R'm	30 September 2022 R'm
Contingent consideration liabilities		
Balance at 1 October	503	631
Arising on acquisition of subsidiaries	-	113
Paid during the period	(59)	-
Fair value adjustments to contingent consideration	-	(406)
Fair value gain recognised in profit or loss (relating to LMI, included as part of growth initiatives)	-	(437)
Fair value loss recognised in profit or loss (relating to ECR, included as part of hospital and complementary services)	-	31
Unwinding of contingent consideration (included as part of finance cost)	29	75
Effect of foreign currency movement	33	90
Balance at 30 September	506	503
Included under non-current liabilities	425	378
Included under current liabilities	81	125
	506	503

The largest contingent consideration payable (R411 million) relates to a potential amount payable to the previous owners of LMI, acquired during June 2018.

The LMI contingent consideration will become payable when the acquired business is generating a positive cash contribution, measured on a cumulative basis from the date of acquisition. The contingent consideration is a 50% share of pre-tax cash generated for a period of 10 years post-acquisition or a maximum amount payable of USD200 million. The amount included is the calculated payment, based on long-term forecasts adjusted for probabilities associated with the success of the product developed, discounted to present value using a discount rate of 13.50%. There have been no significant changes to the assumptions used from those disclosed in the previous consolidated annual financial statements.

5. FINANCIAL INSTRUMENTS continued

Fair value continued

The Group's financial instruments held at fair value are measured subsequent to their initial recognition and are grouped into levels 1 to 3 based on the significance of the inputs used in the valuation. All the resulting fair value estimates for the derivative financial instruments used for hedging, as well as the investment in a first-party Cell Captive, are included in level 2. The contingent considerations are included in level 3.

There were no transfers between levels 1, 2 and 3 during the period.

6. EVENTS AFTER REPORTING PERIOD

No event which is material to the understanding of this report has occurred between 31 March 2023 and the date of the interim financial statements, other than:

- ◆ the cash dividend – refer page 10.

7. CAPITAL COMMITMENTS

Capital expenditure approved for the year ended September 2023 is R2.9 billion (approved for the year ended September 2022: R2.9 billion).

BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial statements contained in the interim report are prepared in accordance with the requirements of the JSE Limited (JSE) Listings Requirements, JSE Debt Listings Requirements and the requirements of the South Africa Companies Act, 71 of 2008 (as amended). The accounting policies are in terms of International Financial Reporting Standards (IFRS) and are consistent with those applied in the previous consolidated annual financial statements. There were no material changes to the critical judgements, accounting estimates and assumptions applied as disclosed in the previous consolidated annual financial statements. The consolidated interim financial statements are prepared in accordance with and contain the information required by IAS 34 Interim Financial Reporting, as well as the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council.

The condensed consolidated interim financial statements are prepared on a going concern basis. The Board is satisfied that the liquidity and solvency of the Company is sufficient to support the current operations for the next 12 months.

These interim financial results have been prepared under the supervision of PP van der Westhuizen (CA(SA)), the Group Chief Financial Officer.

Unaudited results

The results for the period ended 31 March 2023 have not been reviewed or audited by the Group's auditors.

The directors take full responsibility for the preparation of the interim report.

Non-IFRS measures

To provide a more meaningful assessment of the Group's performance for the period, non-IFRS measures (normalised EBITDA, EBITA, operating profit before non-trading items, NEPS and net debt) have been included. The non-IFRS measures are the responsibility of the Group's directors. Due to their nature, the non-IFRS measures may not fairly present the Group's financial position, results of operations, changes in equity or cash flows for the period under review. These non-IFRS measures may not be comparable to other similarly titled measures of performance of other companies.

The non-IFRS measures are not an IFRS requirement, nor a JSE Listings Requirement, and are a measurement used by the CODM.

Administration

Executive directors

Mr PG Wharton-Hood (Group Chief Executive), Mr PP van der Westhuizen (Group Chief Financial Officer)

Non-executive directors

Dr VL Litlhakanyane (Chairman), Dr JE Bolger, Mr PJ Golesworthy, Ms CM Henry, Mr LE Holmqvist, Prof ME Jacobs, Mr TP Moeketsi, Ms AM Mothupi, Mr JK Netshitenzhe, Adv M Sello, Mr GC Solomon and Mr F Tonelli

Company Secretary

Ms J Ranchhod

Registered Office

Building 2, Oxford Parks, 203 Oxford Road (cnr Eastwood and Oxford Roads), Dunkeld, 2196
Private Bag X13, Northlands, 2116

Equity and Debt Sponsor

Rand Merchant Bank, a division of FirstRand Bank Limited

25 May 2023

NOTE REGARDING FORWARD-LOOKING STATEMENTS

Any forward-looking statements or projections made by the Company, including those made in this announcement, are subject to risk and uncertainties that may cause actual results to differ materially from those projected, and have not been reviewed or reported on by the Group's external auditors.

LIFE HEALTHCARE GROUP HOLDINGS LIMITED

Registration number: 2003/002733/06

Income tax number: 9387/307/15/1

ISIN: ZAE000145892

JSE and A2X share code: LHC

LIFE HEALTHCARE FUNDING LIMITED

(Incorporated in the Republic of South Africa with limited liability)

(Registration number 2016/273566/06)

Bond company code: LHFI

("Life Healthcare Funding")

LIFE HEALTHCARE GROUP

Unaudited Group interim results for the six months ended 31 March 2023, and cash dividend declaration



Head Office

Building 2

Oxford Parks

203 Oxford Road

Cnr Eastwood and Oxford Roads

Dunkeld

2196

www.lifehealthcare.co.za