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 STATEMENT

The Company is currently finalising its financial results for the six months ended 31 March 2019, which are expected to be released on SENS on or about 30 May 2019.

In this regard, shareholders are advised that the Group's revenue, normalised EBITDA, earnings per share (EPS), headline earnings per share (HEPS) and normalised earnings per share (NEPS) for the six months ended 31 March 2019 are expected to vary from those reported for the period ended 31 March 2018 (prior period).

Measure	Reported 31 March 2018	Expected 31 March 2019	Change	Note
Revenue	R11 323m	R12 300m to R12 500m	+8.6% to +10.4%	1
Southern Africa	R8 364m	R8 750m to R8 900m	+4.6% to +6.4%	2
International	R2 959m	R3 400m to R3 600m	+14.9% to +21.7%	3
Normalised EBITDA*	R2 673m	R2 700m to R2 800m	+1.0% to +4.8%	1
Southern Africa	R2 095m	R2 035m to R2 135m	-2.9% to +1.9%	2
International	R578m	R636m to R665m	+10.0% to +15.1%	3

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

1. Group

The Group experienced a positive first six months to the 2019 financial year with revenue growing by between 8.6% and 10.4% in challenging operating conditions (2018: R11 323m).

Normalised EBITDA margins for the period ending 31 March 2019 will decline to around 22% (2018: 23.6%). The key reasons for this decline in margin are partially driven by the following management initiatives:

- the increased focus on driving new growth initiatives both in South Africa and Internationally, aligned to our strategy of broadening our business lines across the healthcare continuum in South Africa and expanding our radiology product development business within Alliance Medical. Good progress has been made in this regard.
- initial costs incurred in programmes expected to result in future efficiency gains including nursing optimisation, procurement, and other administrative costs.

2. Southern Africa

Revenue increased by between 4.6% to 6.4% (2018: R8 364m) and EBITDA moved by between -2.9% to 1.9% (2018: R2 095). Revenue per paid patient day (PPD) increased by 5.9% while PPDs decreased by 0.3% compared to the prior period, due to:

- a quiet December and January period; and
- lower respiratory admissions and a decline in scope procedures.

The complementary services business continues to show good growth particularly in mental health.

EBITDA margins were impacted by:

- investment in growth initiatives and increasing human resource capacity at Group level to support these initiatives. These growth initiatives are aimed at broadening Life Healthcare's exposure across the healthcare continuum, and include expanding the primary healthcare business, developing the diagnostic opportunity, and investing in data analytics and clinical quality products.
- the lower PPD activity particularly in December and January.
- strong growth in the healthcare services business at lower margins. The new management team are working on growing revenues and improving margins.
- a number of efficiency drives that are currently underway focusing on cost of sales management, improved procurement, nursing optimisation and other administrative costs. The benefits of these initiatives should actualise in H2 2019.

The Group continues to show improvement in its key quality indicators with improvements in patient experience scores, hospital associated infection rates and patient incident rates.

3. International

International revenue increased by between 14.9% and 21.7% (2018: R2 959m). International revenue includes revenue from Alliance Medical Group (AMG), Life Molecular Imaging (previously referred to as Piramal) and Scanmed in Poland. This revenue growth comes off the back of continued strong PET-CT volume growth, solid underlying performances in AMG Italy and Ireland, and revenue growth from Life Molecular Imaging. The 5.4% depreciation of the Rand against Sterling over the period also contributed to the strong revenue growth.

International normalised EBITDA increased by between 10.0% and 15.1% (2018: R578m) and was positively impacted by growth in AMG, particularly in the PET contract and improved performance in the mobile business in the United Kingdom. The normalised EBITDA margin for AMG (excluding Life Molecular Imaging) is expected to be between 22.5% and 23.2% (2018: 22.4%). The international normalised EBITDA margin was impacted by the inclusion of Life Molecular Imaging, the roll-out of the PET 2 contract, radio-pharmacy supply challenges and a lower margin in the Scanmed business.

4. EPS and HEPS

EPS and HEPS are expected to be lower than reported in the prior period.

Measure	Reported 31 March 2018	Expected 31 March 2019	Change
Shares in issue ('000)	1 463 980	1 467 349	
Weighted average number of shares ('000) (approx.)	1 422 529	1 455 772	+2.3%
EPS (cps)	54.6	21.8 to 27.2	-50.1% to -60.1%
HEPS (cps)	53.7	24.1 to 29.5	-45.1% to -55.1%
Normalised EPS (cps)	54.2	47.7 to 50.4	-7.0% to -12.0%

EPS, HEPS and normalised EPS were impacted by the following factors:

- Following the conclusion of an agreement to sell its investment in Max Healthcare Institute Limited (Max Healthcare) the Group entered into a number of foreign exchange option contracts to mitigate the risk of fluctuations in the South African Rand/Indian Rupee (ZAR/INR) exchange rate until the final closing date of the transaction. The initial option contracts were extended in January 2019 to 30 June 2019. The marked-to-market loss on the option contracts in place for the period ended 31 March 2019 is R256 million, net of tax. This dilutes EPS and HEPS by 17.6 cps.

The loss on the marked-to-market valuation will however be offset against the higher ZAR proceeds received on closing to ensure that the net proceeds are in line with expectations as at the date of announcement of the sale (approximately R3.9 billion at hedged exchange rates before costs and taxes).

Key regulatory approvals were obtained and the remaining conditions precedent are expected to be fulfilled during the second half of the financial year.

- The results for the current period include investments relating to growth opportunities that the Group is pursuing. These opportunities include Life Molecular Imaging and the development of diagnostics and primary healthcare opportunities in South Africa. The impact for the period is a reduction in earnings of between 3.5 cps to 4.4 cps. The Group believes that these investments are justified in light of the potential returns to be achieved.

- The results for the current period also include:

    - larger transaction costs – mainly related to the Max Healthcare disposal;
    - an impairments of assets – mainly related to software that is no longer used due to changes in business processes in the healthcare services division in South Africa; and
    - an increase in contingent consideration relating to past company acquisitions - related to acquisitions in International operations.

The total impact of these items is expected to be a loss of between 6.8 cps to 7.5 cps.

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

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24 April 2019

Sponsor
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