

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

TRADING UPDATE

Despite the outbreak of the COVID-19 pandemic (the pandemic), the Group had a good trading performance to 31 March 2020, growing revenue by 6.8% and normalised EBITDA, pre-IFRS 16, by 2.7%. Group results in H2 FY20 have, however, been significantly impacted by the pandemic. In this uncertain trading environment, the Group wishes to provide an update on the performance of the business for the period April 2020 to July 2020.

Southern Africa

Over the period April to July 2020 the Company has been through the process of:

- preparing for the pandemic and introducing COVID-19 specific plans covering facilities, operations, employees and clinical interventions; adopting guidelines issued by the Department of Health, the National Institute of Communicable Diseases, the World Health Organisation, various medical societies and international best practice; ensuring adequate personal protective equipment (PPE) for employees and doctors, developing detailed ‘surge’ plans and setting up COVID-19 doctor committees across all of its facilities;
- responding to the COVID-19 surge and ensuring the safety of its employees and doctors and treating c.9 000 COVID-19 patients in its facilities;
- participating in the process to establish pricing for the treatment of state patients and signed contracts with the Western Cape and Gauteng provincial governments. To date the Company has treated less than 10 public sector patients; and
- experiencing a significant decline in elective cases as cases were postponed due to the pandemic. As South Africa appears to be coming out of the COVID-19 surge in August 2020 and with the introduction of the level 2 lockdown we expect to see an increased rate of return of elective cases. Facility plans are in place to ensure the safe treatment of non-COVID-19 patients within an environment where the pandemic still exists. Life Esidimeni’s revenue is on par with the prior period, although with an increased cost base due to underlying COVID-19 costs.

In southern Africa, the Group experienced a low acute hospital occupancy in April 2020 (39.3%) due to lockdown level 5 and no elective cases. The occupancy levels have improved since April 2020, with occupancies currently up to approximately 61%.

Revenue for the month of April 2020 was approximately 40% below April 2019 but has since improved on a monthly basis, with revenue for the month of July 2020 around 14% below July 2019. Although normalised EBITDA for the month of April 2020 was slightly negative, the southern Africa operations have since then contributed positively at a normalised EBITDA level. Despite this continuing improvement on a monthly basis, the aggregate revenue and normalised EBITDA for the period April 2020 to July 2020 decreased by approximately 22% and 63% respectively against last year, for the same period.

International

- Although the impact of COVID-19 has been significant since March 2020, the strong recovery of scan volumes, across all Alliance Medical Group (AMG) markets since the gradual easing of lockdowns over the last few months, have been encouraging. Scan volumes in our PET-CT

centres in the United Kingdom (UK), on a year-to-date basis, are slightly ahead of the prior period as at end July 2020, demonstrating the robustness of our molecular imaging offerings.

- AMG experienced significant reductions in volumes of 60% on average across all major geographies as national healthcare systems have prioritised urgent and emergency cases since the outbreak of the pandemic. Operating performance improved since April 2020 with diagnostic imaging volumes on average at around 80%-90% of February 2020 levels (pre-COVID-19) and molecular imaging volumes at 90%-100%.
- Within our UK business, we have delivered a 24/7 mobile CT service for up to 16 units to NHS England to support the response to COVID-19, which at a revenue level has helped to compensate for the reduction in scan volumes.
- Revenue for AMG, in pound sterling, for the month of April 2020 was approximately 29% below April 2019, but has since improved on a monthly basis, with revenue for the month of July 2020 around 5% above July 2019. Although normalised EBITDA for the month of April 2020 was slightly negative, AMG has since then contributed positively at a normalised EBITDA level. The aggregate revenue and normalised EBITDA for the period April 2020 to July 2020 decreased by approximately 8% and 37% respectively against last year for the same period.
- Business operations in our Polish business (Scanmed) continue to improve and are ahead of the prior period.
- The weakening of the rand against pound sterling, euro and polish zloty had a positive impact on the Group results during the period.

As previously communicated, the Group's southern African business was a victim of a malicious cyber-attack by criminals. The manual back-up processes, brought into effect as a result of the attack, impacted the ability of the southern African operations during the month of June and part of July 2020 to:

- complete patient billing;
- submit claims to medical aids;
- process supplier invoices; and
- produce financial results.

The Group was able to substantially restore its IT systems at the beginning of July 2020 and has since then been able to materially operate as normal.

The risk of a resurgence of the disease in all parts of the world remains. The Group remains vigilant and continues to follow its protocols and procedures. As the environment is constantly changing, the Group has adopted a flexible approach to manage its operations. The Group has implemented a number of cash preservation initiatives to ensure liquidity and to strengthen the Group's financial position. As part of these initiatives the Group is in precautionary discussions with its lenders to relax bank covenants for the next two measurement periods being September 2020 and March 2021. The Group has increased its committed bank facilities and the committed undrawn facilities as at 31 July 2020 were R3 billion. The Group is also in the process to increase the facilities by a further R1.7 billion. We expect these facilities to be in place by mid-September 2020.

The Company remains focused on its role as a leading healthcare provider in this time of crisis. The management of this disease cannot be effectively executed, for the benefit of our patients, without the dedication and commitment of our staff. We have unfortunately lost a number of our staff members due to the disease and our condolences go out to their families, colleagues and other loved ones. Life Healthcare places on record our sincere appreciation to all healthcare workers, who continue to work courageously and tirelessly in the fight against the disease.

The Group currently expects to provide a further trading update at the end of September 2020 and a further trading statement at the beginning of November 2020, following on from the trading statement released on 11 May 2020.

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

Illovo

31 August 2020

Sponsor

RAND MERCHANT BANK (A division of FirstRand Bank Limited)