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")

LIFE HEALTHCARE FUNDING LIMITED
(Incorporated in the Republic of South Africa with limited liability under registration number 2016/273566/06)
Bond company code: LHFI
("Life Healthcare Funding")

VOLUNTARY TRADING UPDATE FOR THE TWELVE-MONTH PERIOD TO 30 SEPTEMBER 2022

Life Healthcare is pleased to provide shareholders with a voluntary trading update covering the twelve-month period from 1 October 2021 to 30 September 2022 (the current period or FY2022). Reference is also made to the six-month period from 1 October 2021 to 31 March 2022 (H1-2022) and the twelve-month period from 1 October 2020 to 30 September 2021 (FY2021 or prior year).

Group trading highlights include:

- The southern African operations delivered a strong improvement in performance driven by an excellent recovery in activities during the second half of the current period. The results for the current financial year include two milder COVID-19 waves compared to the prior year. Revenue growth of 3-6% year-on-year is expected for FY2022 while the normalised EBITDA* is expected to grow 3-8% year-on-year resulting in a margin of 17-18% compared to 17.1% for FY2021.
- Even though Alliance Medical Group's (AMG) prior financial year included COVID-19 related contracts which did not recur in FY2022, it has seen continued volume growth across all regions leading to revenue growing by between 1-4% (in pound sterling). The ending of COVID-19-related contracts has negatively impacted AMG's results, with normalised EBITDA, in pound sterling, expected to be lower by between 10-13% year-on-year.
- Group revenue has increased by 3-6% year-on-year for FY2022 while the normalised EBITDA has declined by 0-3% and the margin is expected to be between 17-18% versus 18.8% in FY2021. The lower FY2022 margin is largely as a result of the ending of COVID-19 contracts and the accounting impact of the introduction of an employee share scheme in the current year. Excluding these two items, the Group's normalised EBITDA would have grown by 6-9% year-on-year. The margin for FY2022 before the impact of the employee share scheme would have expanded to between 18-19%.
- 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.

**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 an excellent result in the current period, with consistently strong activity levels from March 2022 through to September 2022. The business started the current financial year with improved activity levels before the seasonally quiet December 2021 and the impact of the fourth COVID-19 wave in early January 2022. However, since mid-January 2022 through to September 2022, the acute and complementary services experienced a strong recovery in a broad range of surgical and medical activities. This has resulted in paid patient days (PPDs) growing 5-6% year-on-year for the full year versus the 2.1% growth reported at H1-2022. Average occupancy in the second half of the current period has been between 65-67%, bringing the average occupancy in FY2022 to 61-62%, versus 58.6% for FY2021 and 58.5% in H1-2022.

The PPD growth of 5-6% 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 been demonstrated by admissions growing by c.16% and theatre minutes increasing by c.15% year-on-year.

The complementary services business has experienced a pleasing improvement in demand across all sub-segments (acute rehabilitation, mental health, renal dialysis and oncology). We have also successfully completed two transactions within the South African (SA) imaging market, with the acquisition of the imaging assets of the East Coast Radiology practice (effective 1 February 2022) and the Eugene Marais Radiology practice (effective 1 August 2022). These businesses have been included within the complementary services segment and have been performing in-line with expectations.

Within our healthcare services division, Life Nkanyisa (previously Life Esidimeni) continues to perform well with high occupancies and stable margins. Life Health Solutions (LHS) lost several corporate contracts early in the current period and this has negatively impacted revenue and profitability for LHS during FY2022.

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.

International overview
International revenue includes revenue from AMG only.

AMG has continued to deliver good underlying operational 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, PET-CT volumes have continued to grow strongly throughout FY2022 and were c.11% higher than FY2021 volumes. Diagnostic Imaging volumes saw pleasing FY2022 growth of c.4% year-on-year notwithstanding the ending of COVID-19-related CT contracts with the NHS on 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 normalised EBITDA for the mobile facilities when compared with the prior period.

In Italy total imaging volumes for the FY2022 period were c.8% higher year-on-year than FY2021 aided by additional public sector budget allocations during the current period. The Irish business has continued to benefit from a rebound in activity and increased public sector contracting resulting in FY2022 volumes being c.25% higher than in FY2021.

The normalised EBITDA margin for AMG has reduced to c.21% versus the 24.2% for FY2021. This is largely due to reduced tariff mix as a result of the ending of the COVID-19-related CT contracts and increased cost pressures in the last quarter due to heightened inflation.

Growth initiatives
Life Molecular Imaging (LMI) is our primary international growth initiative. As previously announced, the absence of Aduhelm® reimbursement agreements with payors in the US, has significantly limited the ramp-up in commercial sales of our radio-isotope tracer Neuraceq®. However, we have seen increased sales of Neuraceq® for use within other Alzheimer's drug trials as several pharmaceutical companies increase the pace of clinical trials for their Alzheimer's drug candidates. The increase in sales of Neuraceq®, as well as other LMI products, has resulted in LMI's FY2022 revenue growing by 46-50% (in pound sterling) year-on-year.

Within the southern African growth initiatives, good progress continues to be made with the development of new renal dialysis and oncology clinical products. 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 annual financial results
Life Healthcare expects to release its full year results for the twelve-month period to 30 September 2022 on or about 17 November 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
6 October 2022

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