

LIFE HEALTHCARE GROUP HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 2003/002733/06)
ISIN: ZAE000145892
JSE and A2X share code: LHC
("Life Healthcare" or "the Company" or the "Group")

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

TRADING UPDATE FOR THE FOUR MONTH PERIOD ENDED 31 JANUARY 2023 AND CAUTIONARY ANNOUNCEMENT IN RESPECT OF THE RECEIPT OF UNSOLICITED PROPOSALS TO ACQUIRE THE GROUP'S INTEREST IN ALLIANCE MEDICAL GROUP ("AMG")

1. GROUP OPERATIONAL & STRATEGY UPDATE

The Company is pleased to provide an operational performance update for the four (4) months ended 31 January 2023 ("the review period"), together with an overview of progress in executing on the Group's strategy and key strategic priorities.

1.1. Group

The Group has seen solid underlying operational performance across all its markets during the review period, maintaining momentum and robust cash generation. Supported by a strong balance sheet, the Group continues to make steady progress in executing on its long-term strategy and remains well-positioned for sustainable growth in 2023 and beyond.

1.2. Southern Africa

1.2.1. Operational Update:

- The southern African business continued to experience a sound recovery in underlying activity levels with admissions for the review period up by c.14% on the prior period. Overall paid patient days ("PPDs") increased by c.13% resulting in overall occupancies increasing from c. 55% in prior year to c. 62%.
- Acute hospital PPDs during the four months grew by c. 13.5% on the prior period with a slightly lower length of stay as the normalisation of our case mix continues. Theatre minutes continued to see good growth on the prior period, with minutes increasing by c. 11%. Our expectations are that the growth in activities (both PPDs and theatre minutes) vs the prior period will slow down during the months of February and March due to the strong activity growth experienced in those months during the prior period.
- The Complementary businesses showed good growth on the prior period across all business lines. Mental Health and Acute Rehabilitation grew PPDs collectively by c.10% on the prior period with a c.5% decrease in length of stay, the Renal Dialysis business grew treatments by c.7% on the prior period, Oncology had good underlying revenue growth of c.17% and the Imaging business continues to perform ahead of expectations.
- Tariff increases have now been finalised at c. 6.1% for 2023, pre-network discounts.
- The Healthcare Services segment had a solid first four months of the financial year with a good performance from Life Nkanyisa. The recovery of the Life Health Solutions business continues.
- Revenue for the first four months was up c.11% on the prior period. There is still a negative case mix impact on Revenue, which is expected to continue until our case mix normalises. EBITDA margins continue to improve with EBITDA increasing by c.16%.

- Although overall costs related to loadshedding are not significant, the increase versus the prior period in FY2022 was substantial, with diesel costs amounting to R25 million in the first four months compared to R5 million in the prior period. Due to the Company's investment in generators and solar plants in prior financial years, the operational impact of the continued Eskom power outages has been minimal, other than the increased cost.
- As previously communicated to the market, the Group is disputing the interpretation by 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. There is no loss to the fiscus, and the Group's views are strongly supported by our legal and tax advisors. The Group has prudently provided R199 million in FY2022. We continue to engage with SARS to bring this matter to conclusion.

1.2.2. Strategy update:

- In line with the Group's strategy to improve underlying occupancies, the Company concluded network deals with the Government Employee Medical Scheme ("GEMs") and Medscheme late last year and is now the foremost designated services provider in the country.
- The Group continues to make progress in growing and diversifying its non-acute portfolio across the Southern African operations. January 2023 saw the introduction of the Group's first value-based care product in Renal dialysis and the Group continues to make progress in broadening its Imaging footprint. SA Molecular Imaging expansion, through our joint venture with the AXIM Group of Companies, is moving ahead with the building of two cyclotron based radiopharmacy sites. The Oncology Centre of Excellence at Life Vincent Pallotti continues with its expansion and the new chemotherapy unit and additional doctor suites will open in FY2023. This is in addition to the installation of the Varian Ethos radio-therapy machine in the prior year which has shown good growth in treatments.
- Regrettably, no progress has been made with the South Africa Nursing Council to allow the Company to train more nurses. We will continue to lobby relevant stakeholders to address the nursing shortages in key areas.

1.3. International

1.3.1. Operational update:

- Diagnostic imaging volumes across all markets have increased by c.2.4% over the prior year and ahead of Pre-Covid numbers. UK PET-CT scans have grown by c. 8.9% and record daily volumes have been achieved within PET-CT in the UK and diagnostic imaging in Ireland in January 2023. Diagnostic imaging volumes have grown by c.6.4% and PET-CT scans by c.11.8% (compound annual growth) since the acquisition of AMG in 2016.
- There was strong growth in revenue of c.9.2% across the International business
- The recent completion of the new Taunton Diagnostic Centre and Oldham Northern Care Alliance CDC contributed positively to the growth in Revenue.
- The current inflationary environment continues to place pressure on costs. Good scan volume growth, pricing reviews (both contractual inflationary increases and variable pricing models) and further detailed cost constraint plans will offset some of the cost pressures.

1.3.2. Strategy update:

- AMG continues to expand its network of CDCs. With the recent completion of Taunton Diagnostic Centre and Oldham Northern Care Alliance CDC, it now has five (5) CDCs in operation, a further two (2) CDCs under development and seven (7) CDCs in the advanced discussion phase.
- LMI continues to prepare for success following Eisai/Biogen receiving accelerated approval for Lecanemab in the US and the submission of a marketing Authorisation in the EU, in addition to submission of a clinical dossier detailing positive phase III study results for full approval.

1.4 Responsibility Statement

This trading update is the responsibility of the Board of Directors of the Company (“the Board”) and is based on financial and operational information which represents the Group’s latest estimates. The information has not been reviewed or reported on by the Company’s external auditors. A further trading update will be released in line with our interim results timetable or as required.

2. CAUTIONARY ANNOUNCEMENT IN RESPECT OF THE RECEIPT OF UNSOLICITED PROPOSALS TO ACQUIRE THE GROUP’S INTEREST IN AMG

The Company wishes to advise shareholders that it has received several unsolicited proposals from third parties to acquire AMG. The unsolicited proposals received are non-binding, conditional and have been based on public information.

AMG is one of Western Europe’s leading providers of complex molecular and diagnostic imaging services and a strategically important business within the Group. The Board, the Group Executive and AMG management remain confident in AMG, its prospects and the future potential of the current strategy to deliver value for the Company’s shareholders.

Notwithstanding that AMG remains core to the Group, the Board is of the view that it has an obligation to evaluate the proposals received and assess the implications thereof in the context of the Group’s strategy. To this end, the Board has appointed Barclays and Goldman Sachs as advisors to assist in evaluating the proposals. Shareholders are advised that the Board’s consideration of the proposals is at an early stage and that no decisions have been taken, other than to undertake this initial assessment. In the interim, the AMG management team will remain focused on executing its strategy.

This development may have a material impact on the price of the Company’s securities. Accordingly, shareholders are advised to exercise caution when dealing in the Company’s securities until a further announcement is made.

Description of Life Healthcare

The Group is an international healthcare provider offering an integrated healthcare model and diagnostic imaging capabilities. It is one of South Africa’s largest private healthcare providers, with total assets of R42 billion operating through two core segments namely Southern Africa, which focuses on acute hospital and complementary services complimented by long term care and occupational health and wellness services, and the International segment, which comprises of AMG and Life Molecular imaging (“LMI”). AMG has been controlled by the Group since its acquisition in 2016 and provides independent diagnostic and molecular imaging services throughout the United Kingdom and Europe. LMI is a fully integrated research and development pharmaceutical company dedicated to developing and commercialising molecular imaging agents for use in PET CT diagnostics. The Group delivers quality, compassionate, and effective care through its 18 018 employees and approximately 3 000 supporting healthcare professionals.

Description of AMG

AMG is a wholly owned subsidiary of the Group with over 30 years’ operating experience of providing high clinical quality, efficient and cost-effective diagnostic and molecular imaging services in the United Kingdom and Europe. AMG is also a manufacturer and distributor of radioisotopes, with a leading position within Radiopharmacy in both the UK and Germany. The business operates 236 sites across the UK and 12 other European countries and is a trusted partner to the National Health Service (UK and Northern Ireland), Azienda Sanitaria Locale (Italy) and Health Service Executive (Ireland). For the year ended 30 September 2022, AMG added revenues of R 7.7 billion and EBITDA of R 1.6 billion to the Group.

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Dunkeld

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Equity sponsor and debt sponsor

RAND MERCHANT BANK (A division of FirstRand Bank Limited)