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 Group" or "the Company")

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

OPERATIONAL TRADING UPDATE AND TRADING STATEMENT FOR THE TWELVE-MONTH PERIOD ENDED 30 SEPTEMBER 2023

OPERATIONAL TRADING UPDATE

Life Healthcare hereby provides shareholders with a trading update covering the twelve-month period from 1 October 2022 to 30 September 2023 ("the current period" or "FY2023"). Reference is also made to the six-month period from 1 October 2022 to 31 March 2023 ("H1-2023) and to the twelve-month period from 1 October 2021 to 30 September 2022 ("prior period" or "FY2022").

Following the announcement on the Stock Exchange News Service of the JSE Limited on 5 October 2023 regarding the proposed disposal of Alliance Medical Group ("AMG") to iCON Infrastructure[1], subject to shareholder approval and other conditions precedent, AMG has been classified as an asset held for sale in terms of International Financial Reporting Standards ("IFRS"). Consequently, the financial information contained in this announcement refers to continuing operations, consisting of our southern African operations and Life Molecular Imaging ("LMI"), and discontinued operations, consisting of AMG's operations.

Group trading highlights include:

- Group revenue growth from continuing operations of between 7-13% year-on-year.
- Strong activity growth from our acute and complementary services with paid patient days ("PPDs") growing by 9.5%.
- Group normalised EBITDA[2] from continuing operations increased by between 1-6% and the margin is expected to be between 15-17% versus 16.8% in FY2022.

Excellent southern African operating performance

The acute and complementary services business delivered excellent results during the current period. PPD growth of 9.5% benefitted from the addition of two new network deals that commenced in January 2023 and a continuation of the trend in activities to return to a more normalised mix. Two facilities were closed during the current period and impacted the growth against the prior period. Excluding these closures, the growth for the twelve-month period compared to last year was 9.9%.

The acute hospital business delivered PPD growth of 10.2% year-on-year. This strong performance resulted in a higher average occupancy level of 69.7% in the second half of FY2023, versus 65.5% in H1-2023, and brought the average occupancy for FY2023 to 67.6%, up from 61.1% for FY2022. FY2023 revenue per PPD was flat for the financial year against the prior financial year versus a decline of 0.9% at H1-2023.

Medical PPDs (excluding COVID-19 PPDs) grew by 20.6% during FY2023, while surgical PPDs grew by 10.1%. COVID-19 PPDs declined by c.73% and made up c.1% of total PPDs. These mix changes bring the total medical PPDs split to 50.2% versus 49.8% for surgical PPDs, a ratio that is now very similar to 2019 levels.

The complementary services business experienced PPD growth of 4.1% for FY2023, driven by a recovery in mental health PPDs of 8.4%, while acute rehabilitation PPDs declined by 3.8% following the closure of a facility in Bloemfontein. Excluding the impact of the closed facility, PPDs for complementary services would have grown by 6.8% year-on-year, while PPDs for acute rehabilitation would have grown by c.3%. Renal dialysis treatments grew by 10.8% during FY2023, demonstrating the resilience of this service and early evidence of uptake of our integrated renal product.

The diagnostic imaging business in SA had strong underlying activity and revenue growth. Scan volume growth of 92% year-on-year reflects a full 12 months of activity in FY2023 for the two practices acquired during FY2022.

FY2023 revenue for southern Africa is expected to grow by between 7-12% and normalised EBITDA is expected to grow by between 3-8% year-on-year, resulting in a margin of between 16-17.5% compared to 17.5% reported for FY2022. This result is pleasing given the challenging environment which has seen inflationary pressures on salaries, the impact of loadshedding on costs, mix changes and increased corporate overheads (related primarily to IT spend and increased headcount) which have presented headwinds to improving the margin.

News on Alzheimer’s treatment and re-imbursement positive for LMI

LMI’s NeuraCeq® remains the key revenue driver for LMI and continued to generate sales from the clinical trials of disease modifying drugs (“DMDs”) within the Alzheimer’s Disease (“AD”) field. The approval of Leqembi™ in the US during the current period, and subsequent reimbursement of both the drug and amyloid diagnostic testing needed prior to commencing treatment, are positive for LMI.

The business generated c.30% growth in commercial volumes and sales of NeuraCeq® in FY2023 from demand from private patients starting DMD treatment, while growth in NeuraCeq® volumes from ongoing clinical trials slowed to c.8%. In total, LMI’s FY2023 revenue grew by between 16-21% (in Rands) year-on-year.

Discontinued operations

AMG has been classified as a disposal group held for sale in terms of IFRS 5 and will be disclosed as a discontinued operation in the Group’s FY2023 results. With the application of IFRS 5, AMG needs to be measured at the lower of its fair value less transaction costs or net asset value. As a result, at 30 September 2023, the carrying value of AMG was impaired by c.GBP 45 million (c.R950 million), a figure which is inclusive of transaction costs of c.GBP30 million (c.R700 million).

The Group acquired the business when the exchange was GBP1=ZAR17.78. On the effective date of the disposal (expected during the first half of the Group’s 2024 financial year), the Group is likely to recognise an exchange gain in the statement of profit or loss.

TRADING STATEMENT

In terms of paragraph 3.4 (b) of the JSE Limited Listings Requirements, a listed company is required to publish a trading statement as soon as it is satisfied that a reasonable degree of certainty exists that the financial results for the period to be reported upon next will differ by at least 20% from those of the previous corresponding period.

The Group's FY2023 results are still in the process of being finalised, however there are several items that are already known to have impacted the results. These include:

- c.R950 million impairment charge relating to the potential disposal of AMG in terms of IFRS 5 (explained above);
- c.R300 million in increased finance costs compared to FY2022 due to higher interest rates;
- c.R150 million net positive impact compared to last year due to the settlement of the SARS VAT matter (as disclosed in our FY2022 and H1-2023 results);
- c.R35 million relating to an impairment in the UK; and
- prior period positively impacted by the release of the LMI contingent considerations of R437 million.

Even though the Group produced good operational profits these items have had a significant impact on our reported earnings per share ("EPS") metrics and, as a result, we estimate that total EPS (from continuing and discontinued operations) is likely to decrease by between 75% and 95%, year-on-year. Normalised EPS [3] ("NEPS") from continuing and discontinued operations, which excludes the impact of non-trading related items, is expected to be between 13% lower to 5% higher year-on-year.

We summarise the impact these factors have on our expected earnings for the current period as follows:

Earnings per share (cents)	**FY2023 (expected)**	**FY2022 (reported)**	**% Change**
Weighted average number of shares (millions)	1 442	1 447	(0.3%)
EPS from continuing and discontinued operations	5.5 to 26.5	105.8	(75%) - (95%)
HEPS from continuing and discontinued operations	78.1 to 95.6	106.1	(10%) - (26%)
NEPS from continuing operations	88.0 to 104.0	80.3	10% - 29%
NEPS from continuing and discontinued operations	84.1 to 101.3	96.4	(13%) - 5%

Life Healthcare expects to release its full year results for FY2023 on or about 16 November 2023.

The financial information on which this trading update and statement is based, is the responsibility of the directors of Life Healthcare and has not been reviewed or reported on by the Group's external auditors.

For further information, please contact:
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Dunkeld
25 October 2023

Equity and Debt Sponsor:
RAND MERCHANT BANK (A division of FirstRand Bank Limited)

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[1] On 5 October 2023, the Group, acting through its wholly owned indirect subsidiary in the United Kingdom ("UK"), Alliance Medical Group Limited ("AMGL"), concluded binding transaction agreements with Andromeda Bidco Limited (the "Purchaser"), for the sale of 100% of the issued share capital of Alliance Medical AcquisitionCo Limited ("Sale Shares") ("AcquisitionCo") and its subsidiaries, which together comprise the Alliance Medical Group (herein referred to as "AMG"), to the Purchaser (the "Proposed Transaction"). The Proposed Transaction excludes the Group's interests in Life Molecular Imaging Limited, Life Molecular Imaging GmbH and Life Molecular Imaging Inc. (together, "LMI"), which do not fall within the perimeter of the Proposed Transaction. The Purchaser is indirectly wholly owned by iCON Infrastructure Partners VI ("iCON Infrastructure VI"). iCON Infrastructure VI comprises two parallel limited partnerships, iCON Infrastructure Partners VI, L.P.

and iCON Infrastructure Partners VI-B, L.P. iCON Infrastructure LLP (“iCON Infrastructure”) is the exclusive investment adviser to iCON Infrastructure VI.

[2] 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.

[3] Normalised EBITDA and normalised earnings are non-IFRS measures which excludes non-trading related costs and income.