

**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" and, together with its affiliates, the "Group")

**LIFE HEALTHCARE FUNDING LIMITED**

(Incorporated in the Republic of South Africa with limited liability)

Registration number: 2016/273566/06

LEI: 3789SJPQJZF8ZYXTZ394

Bond company code: LHFI

("Life Healthcare Funding")

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**TERMS ANNOUNCEMENT REGARDING THE PROPOSED DISPOSAL OF LIFE HEALTHCARE'S INDIRECT INTEREST IN LIFE MOLECULAR IMAGING TO LANTHEUS**

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**1. SALIENT FEATURES**

Please note that capitalised terms used in this section are as defined in the body of this announcement.

- Life Healthcare has entered into binding agreements with an entity owned by Lantheus Holdings Inc. for the sale of 100% of the Group's interests in LMI.
- The purchase consideration comprises an Upfront Payment of an enterprise value of USD 350 million (ZAR 6,475 million<sup>1</sup>), on a cash free, debt free basis and further adjusted to reflect any surplus or deficit of working capital compared to an agreed normalised level, and potential Earnout payments totalling a further USD 400 million (ZAR 7,400 million) linked to milestones of future sales of LMI products up to 2034.
- In addition, Life Healthcare is expected to retain the commercial benefits awarded to LMI under the RM2 sub-license agreement reached with Lantheus in June 2024, subject to agreeing upon the terms on which the net economic benefit of that sub-licence agreement will be delivered to Life Healthcare prior to completion of the Proposed Transaction.
- The net proceeds from the Upfront Payment, after settling LMI management's incentive arrangements (estimated to be USD 18 million) (approximately ZAR 333 million) and Life Healthcare's obligations under the Piramal profit sharing arrangement (estimated to be USD 140 million) (approximately ZAR 2,590 million) that are due on account of the Upfront Payment, as well as transaction related costs and estimated taxes, are anticipated to be USD 200 million (approximately ZAR 3,700 million). Life Healthcare, subject to Board approval, intends to return the net proceeds from the Upfront Payment to Shareholders within 12 months of the Completion Date.
- The Proposed Transaction provides an opportunity for Shareholders to:
  - unlock the material value in LMI in the immediate term and achieve a highly attractive return on the LMI investment;
  - derisk the execution of the LMI business plan by partnering with a credible partner;
  - participate in the future growth of LMI through the Earnouts; and
  - retain (through their shareholding in Life Healthcare) a right to elect to manufacture, commercialise and distribute LMI products in Africa, representing further potential upside.
- Post completion of the Proposed Transaction, Life Healthcare will be a leading southern African, diversified and integrated healthcare services provider, with strong growth potential through its integrated and value-based care model, and with further potential profit sharing

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<sup>1</sup> Based on ZAR / USD Exchange rate of ZAR18.50

in foreign currency through the Earnouts and net economic benefit of the RM2 sub-license, without the required capital outlay and execution risk.

- The Proposed Transaction is subject to the fulfilment or waiver (to the extent permissible) of conditions precedent typical for a transaction of this nature.

## 2. INTRODUCTION

On 12 January 2025, the Group, acting through its wholly owned indirect subsidiary in the United Kingdom (“**UK**”), Life Medical Group Limited (“**LMGL**”), concluded binding transaction agreements with Lantheus Radiopharmaceuticals UK Limited (the “**Purchaser**”), a wholly owned subsidiary of Lantheus Holdings Inc. (“**Lantheus**”), for the sale of 100% of the issued share capital of Life Molecular Imaging Limited (“**Sale Shares**”) which, together with its subsidiaries, comprise Life Molecular Imaging (herein referred to as “**LMI**”), to the Purchaser (the “**Proposed Transaction**”).

## 3. RATIONALE FOR THE PROPOSED TRANSACTION

- 3.1 As part of its investment in the Alliance Medical Group (“**AMG**”), Life Healthcare acquired LMI in 2018 to bolster its utilisation of cyclotrons in Europe with further upside for the manufacturing, distribution and sales of radiopharmaceuticals in other parts in the world. At the date of acquisition in June 2018, LMI had one internationally approved diagnostic radiopharmaceutical, namely NeuraCeq®.
- 3.2 Since 2018, Life Healthcare invested significantly in LMI (USD 66 million), commercialising its flagship product NeuraCeq® and further developing its pipeline of novel radioisotope imaging agents.
- 3.3 In Q1 2024 Life Healthcare completed the sale of AMG to iCON Infrastructure and returned ZAR 8.8 billion to the shareholders of Life Healthcare (“**Shareholders**”) by way of a special dividend. The sale of AMG specifically excluded the Group’s interests in LMI which was retained by the Company as interested parties did not, in the view of the board of directors of Life Healthcare (“**Board**”), place an appropriate value on LMI.
- 3.4 Since the disposal of AMG, the Board has considered if Life Healthcare is the appropriate owner of LMI, taking into account the nature of the business, its funding needs and the skills required to optimise and grow the asset. As part of this review the Group has identified products in LMI’s portfolio that would be better suited to be fully developed and commercialised by other parties. To this end, LMI concluded a sub-licence agreement with Lantheus for one of its early-stage diagnostic and therapeutic products targeting the gastrin-releasing peptide receptor (RM2) whereby LMI sub-licensed RM2 for an upfront consideration of USD 36 million and potential further milestone and royalty payments.
- 3.5 During its due diligence for the RM2 transactions and in the subsequent collaboration activities with the LMI team, Lantheus identified the complementary nature of its business and LMI resulting in a subsequently executed unsolicited letter of intent (“**LOI**”) to acquire all of LMI.
- 3.6 Following receipt of the LOI, the Board evaluated the offer and subsequently decided to invite Lantheus to submit a binding offer. After careful consideration, having understood the market potential and other means to maximise returns for Shareholders, the Board believes the Proposed Transaction is in the best interests of Shareholders based on the following:
  - 3.6.1 **Ability for Shareholders to unlock significant value:** The Proposed Transaction provides an opportunity for Shareholders to unlock significant value in LMI in the immediate term and achieve a highly attractive return on the LMI investment.
  - 3.6.2 **Acceleration of value:** Delivery of the LMI business plan carries material execution risk, with a significant portion of the positive cash flows, and therefore value, forecast to be realised only from 2028. The Proposed Transaction enables Shareholders to realise this longer-term value upfront, and de-risk the delivery of the LMI business plan.

- 3.6.3 **Ability for Shareholders to participate in LMI growth going forward:** The Earnouts, as defined in paragraph 6.2 below, ensure that Shareholders have an opportunity to participate in LMI growth post-completion of the Proposed Transaction. The Board believes that Lantheus is well positioned to partner with the LMI business to achieve its growth potential and meet the thresholds required to unlock the Earnouts, and consequently further value for Shareholders.
- 3.6.4 **Life Healthcare is not a natural long-term owner of LMI:** Life Healthcare's strategy has been to invest strategically in the upside optionality of LMI (with the Group investing USD 66 million in the development of LMI since 2018), with a view to realising value following LMI demonstrating traction on its product pipeline. The Proposed Transaction avoids near-term dilution from the continued buildout of commercial infrastructure and research and development investments required to maximise the potential of LMI, including in the development of products only expected to come to market in 5 to 10 years' time. Furthermore, it enables Life Healthcare to reduce its operating complexity.
- 3.6.5 **LMI is well positioned in Lantheus's hands:** Lantheus is a highly respected industry partner capable of realising the value of LMI's commercial assets, research and development capabilities and pipeline. With over 65 years of leadership in the field of nuclear medicine, Lantheus is uniquely positioned to invest in and grow LMI's portfolio of imaging assets and ensure that the business meets its growth potential.
- 3.6.6 **Repositioning of Life Healthcare:** The Proposed Transaction will further position Life Healthcare as a leading, diversified, and integrated healthcare services provider in southern Africa with clear capital allocation priorities, a resilient and sustainable financial profile, and a strong cash generation ability. With the disposal of AMG in 2024 and subsequent disposal of LMI pursuant to the Proposed Transaction, Life Healthcare will sharpen its focus on southern African growth through its integrated and value-based care model.

#### 4. DESCRIPTION OF LIFE HEALTHCARE AND LMI

- 4.1 Life Healthcare is one of the largest private healthcare providers in southern Africa, primarily serving the private medically insured market, with over 40 years' experience in the private healthcare sector. Since commencing operations in the early 1980s with four hospitals, it has grown through acquisitions, capacity expansion within existing facilities, the addition of new lines of business and the development and construction of new hospitals. Life Healthcare currently operates 71 healthcare facilities (9,202 beds) in South Africa and one facility in Botswana.
- 4.2 LMI is a fully integrated research and development radiopharmaceutical company dedicated to developing and globally commercialising innovative molecular imaging agents for use in PET-CT diagnostics. LMI globally manufactures its patented radiopharmaceuticals with manufacturing partners at 37 sites. It is established in the EU, UK and USA and has built relationships with manufacturers, hospitals, imaging centres and neurologists in key markets. LMI has three diverse potential revenue streams: (i) NeuraCeq®, (ii) five potential new products and (iii) research and development services and supplies. LMI's flagship product, NeuraCeq®, is a USA FDA, EMA and MHRA approved injectable F-18 labelled radiopharmaceutical used in PET-CT scans to detect beta-amyloid deposits in the brain. The detection of beta-amyloid deposits forms a key element of the diagnosis of Alzheimer's disease. The pipeline has been developed with a view to addressing significant unmet clinical needs in neurological, oncological, and cardiovascular diseases. The imaging agents within LMI's pipeline are at various stages of development, two products of which are in phase 3 clinical trials.
- 4.3 LMI represented 7.2% of the Group's revenue for the financial year ended 30 September 2024.

## 5. DESCRIPTION OF LANTHEUS

Lantheus is the leading radiopharmaceutical-focused company, delivering life-changing science to enable clinicians to Find, Fight and Follow disease to deliver better patient outcomes. Headquartered in Massachusetts with offices in Canada and Sweden, Lantheus has been providing radiopharmaceutical solutions for more than 65 years. Lantheus is listed on the NASDAQ stock exchange under the stock symbol 'LNTX'.

## 6. SALIENT TERMS OF THE PROPOSED TRANSACTION

### 6.1 General

6.1.1 The sale and purchase agreement ("**SPA**") entered into between LMGL, the Purchaser, Lantheus Medical Imaging, Inc. (a wholly owned subsidiary of Lantheus) and the Company is governed by English Law and will be implemented in accordance with applicable English and South African laws as well as laws of other applicable jurisdictions. The Proposed Transaction is subject to the fulfilment or waiver (to the extent permissible) of the conditions precedent set out in the SPA, as summarised in paragraph 6.4 below ("**Conditions Precedent**").

6.1.2 On the completion date as set out in the SPA and as referred to in paragraph 6.5 below ("**Completion Date**") and provided that the Conditions Precedent have been fulfilled or waived (to the extent permissible), LMGL will sell and the Purchaser will purchase the Sale Shares for the Purchase Consideration set out in paragraph 6.2 below as agreed and set out in the SPA. Accordingly, upon the Completion Date, the Purchaser shall become the owner of the Sale Shares and therefore the owner of the underlying assets comprising the business of LMI. Life Healthcare will continue to manage and operate LMI in the intermediate period for its own benefit up until Completion Date.

### 6.2 Purchase Consideration

6.2.1 The purchase consideration comprises an upfront payment of an enterprise value of USD 350 million (approximately ZAR 6,475 million<sup>1</sup>), on a cash free, debt free basis and further adjusted to reflect any surplus or deficit of working capital at the Completion Date compared to an agreed normalised level, payable in cash, to LMGL on the Completion Date, free of any lien, right of set-off, counterclaim or other analogous right ("**Upfront Payment**") and three types of potential earnout payments (collectively the "**Earnouts**") as follows:

6.2.1.1 an annual payment, in cash, for each of the 2027, 2028 and 2029 calendar years of an amount equal to 23% of NeuraCeq® net sales in the USA in that calendar year that exceed USD 225 million, capped at USD 225 million (approximately ZAR 4,163 million<sup>1</sup>) in aggregate for that three-year period ("**Earnout 1**");

6.2.1.2 a one-time milestone payment of USD 125 million (approximately ZAR 2,313 million<sup>1</sup>) payable in cash, if NeuraCeq® global net sales exceed USD 1.25 billion in any single calendar year in the period from the Completion Date until 31 December 2034 ("**Earnout 2**"); and

6.2.1.3 a one-time milestone payment of USD 50 million (approximately ZAR 925 million<sup>1</sup>) payable in cash, if the aggregate net sales in the USA of three of LMI's pipeline products (known as PI-2620, GP-1 and DED) exceed USD 500 million in any single calendar year in the period from the Completion Date until 31 December 2034 ("**Earnout 3**");

collectively the "**Purchase Consideration**".

6.2.2 In addition to the Purchase Consideration, Life Healthcare expects to retain LMI's rights under the RM2 sub-license agreement reached with the Purchaser in June 2024, subject to agreeing upon the terms on which the net economic benefit of that sub-license agreement will be delivered to Life Healthcare prior to completion of the Proposed Transaction.

- 6.2.3 The RM2 sub-license agreement provides for milestone and royalty payments linked to the development, approval and sales of RM2's early-stage novel radiotherapeutic and radio diagnostic products. These products are at an early stage of development and therefore the majority of the milestone and royalty payments are not ascertainable at this stage.

### 6.3 Application of Purchase Consideration

- 6.3.1 The net proceeds from the Upfront Payment, after settling LMI management's incentive arrangements (estimated to be USD 18 million) (approximately ZAR 333 million), and Life Healthcare's obligations under the Piramal profit sharing arrangement (estimated to be USD 140 million) (approximately ZAR 2,590 million) that are due on account of the Upfront Payment, as well as transaction related costs and estimated taxes, are anticipated to be USD 200 million (approximately ZAR 3,700 million).
- 6.3.2 Subject to Board approval, Life Healthcare intends to return the net proceeds of the Upfront Payment to Shareholders within 12 months of the Completion Date.
- 6.3.3 Shareholders will be informed by way of a SENS announcement regarding the return of net proceeds which, if applicable, would be made in accordance with the JSE Listings Requirements, the South African Companies Act 71 of 2008 ("**Companies Act**"), the requirements of the Financial Surveillance Department of the South African Reserve Bank ("**SARB**") and the memorandum of incorporation of the Company.

### 6.4 Conditions Precedent to the Proposed Transaction

The Proposed Transaction is subject to the fulfilment or waiver (to the extent permissible) of the following Conditions Precedent as agreed in the SPA:

- 6.4.1 an ordinary resolution in terms of the JSE Listings Requirements as described in paragraph 8 below being approved by Shareholders at a general meeting of Shareholders ("**General Meeting**") to be convened in accordance with the notice of General Meeting to be included in the Circular mentioned in paragraph 10 below;
- 6.4.2 the parties having obtained the applicable regulatory clearances from the required regulatory authorities in the USA, Germany and the United Kingdom on the basis detailed and agreed in the SPA;
- 6.4.3 the SARB having granted its approval in terms of the Exchange Control Regulations of the guarantee by Life Healthcare of certain obligations of LMGL under the SPA; and
- 6.4.4 Life Healthcare having obtained consent of the purchaser of AMG, to the extent required pursuant to the terms of the sale and purchase agreement relating to the sale of AMG dated 5 October 2023 (as amended from time to time), and any conditions to the effectiveness to such consent having been fulfilled or waived.

### 6.5 Completion Date of the Proposed Transaction

Subject to the fulfilment or waiver (to the extent possible) of the Conditions Precedent set out in paragraph 6.4 above, Life Healthcare expects the Completion Date of the Proposed Transaction to occur during the second half of 2025. The SPA provides that the Conditions Precedent must be fulfilled or waived (to the extent possible) on or before the long-stop date which is 31 December 2025 or such other date as agreed between the parties to the SPA ("**Long-stop Date**").

### 6.6 Other Significant Terms

- 6.6.1 Under the SPA, the Seller retains certain remaining liabilities under LMI management's incentive arrangements and Life Healthcare's obligations under the Piramal profit sharing arrangement. The Purchaser has partially assumed the Seller's obligations with respect to the profit sharing arrangement, up to an aggregate amount (when combined with payments falling due under certain of LMI management's incentive arrangements) of USD 30 million (approximately ZAR 555 million).

6.6.2 The SPA contains several other terms which are customary for a transaction of this nature.

## **7. FINANCIAL INFORMATION**

It is advised that:

- 7.1 the book value of the net assets of LMI was USD 110 million (approximately ZAR 1,884 million) as at 30 September 2024, being the date of the latest audited annual financial statements of the Group, which were prepared in accordance with International Financial Reporting Standards (“IFRS”); and
- 7.2 the operating profits attributable to LMI were USD 31.6 million (approximately ZAR 583 million) for the year ended 30 September 2024, being the date of the latest audited annual financial statements of the Group which were prepared in accordance with IFRS.

## **8. CATEGORISATION OF THE PROPOSED TRANSACTION**

- 8.1 As the value of the Proposed Transaction exceeds the 30% ratio outlined in paragraph 9.5 of the JSE Listings Requirements, namely, the percentage ratio resulting from the Purchase Consideration divided by the aggregate market value of Life Healthcare shares, excluding treasury shares, at the time of this announcement, it meets the definition of a category 1 transaction as contemplated in Section 9 of the JSE Listings Requirements. As a result, the Proposed Transaction is required to be approved by Shareholders by way of an ordinary resolution, which will require the support of more than 50% of the votes exercised on it.
- 8.2 The Proposed Transaction does not constitute a disposal by a subsidiary of the Company of all or the greater part of the assets or undertaking of the Company, as contemplated in section 112 read with section 115(2)(b) of the Companies Act.

## **9. FINANCING**

Lantheus will settle its obligations from their cash resources.

## **10. DOCUMENTATION**

A circular setting out additional details of the terms of the Proposed Transaction and the details required in terms of the JSE Listings Requirements (“**Circular**”) will be distributed to Shareholders in due course. The Circular will, amongst other things, incorporate a notice convening a General Meeting of Shareholders at which Shareholders will be requested to consider, and if deemed fit, to pass, with or without modification the relevant resolutions required to approve the Proposed Transaction.

Dunkeld

13 January 2025

### **Financial Adviser, Transaction Sponsor and Corporate Broker to Life Healthcare**

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