

**LIFE HEALTHCARE
PRE-CLOSE INVESTOR
CALL**

22 SEPTEMBER 2017



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ACTING GROUP CEO**

**OUTLOOK AS PER 2017
INTERIM RESULTS**



Category	Total H1	Total H2	Total 2017
Acute facility: Capacity expansion at existing facilities	22	100	122
Mental health/acute rehabilitation: New facilities	60	-	60
Mental health/acute rehabilitation: Capacity expansion	-	22	22
Total	82	122	204
Renal dialysis stations	11	10	21
Oncology units		1 unit	1 unit

- Capex spend of approximately R900 million
- Continued good growth of complementary services
- Expect continued pressure on PPDs in the acute business
- Focus on managing costs, driving efficiencies, lowering the cost of care and improving clinical quality
- Expect completion of the Health Market Inquiry in 2017

Alliance Medical:

- UK:
 - Continued growth of underlying diagnostic demand
 - Roll-out of the PET-CT programme
 - Investment in expanding radio-pharmaceutical production at two UK sites will result in the doubling of capacity within +/- 30 months
 - Start rolling out the Community Diagnostic Centres (CDCs) with an initial focus on six sites
- Italy:
 - Continued focus on executing selected acquisitions
- Northern Europe:
 - Acquisition of Eckert & Zieglers cyclotron division for €13 million in Germany in May 2017
 - Extends Alliance Medical's molecular imaging presence in Northern Europe and supplements PET-CT scanning services across the region as well as the radiopharmacy facilities in the UK and Italy
 - Creates the largest European integrated radiotracer supply and Imaging organisation

Poland (Scanmed):

- Focus on improving efficiencies and cutting costs
- Position the business to benefit from the new NFZ contracts and tenders
- Increasing the percentage of business from non-government work

India (Max Healthcare):

- Optimising the current network through:
 - Improved occupancies
 - Improvements in specialty/channel mix
- Growing the pathology and oncology feeder centre lines of business
- Continued focus on managing costs
- Regulation: full year impact of:
 - Stent price controls
 - Minimum wages
 - Extended maternity leave
- IFC
 - The IFC is currently in the process of disposing of its stake
 - Life Healthcare and Max India to acquire an equal share from the IFC at Rs 105 per share
 - Allows Life Healthcare to protect its existing shareholding rights and continue the partnership with Max Healthcare

PRE-CLOSE OPERATIONAL REVIEW



	Estimated Range for FY 2017	31 Mar 2017
PPD growth	-1.7% to -2.4%	-1.0%
Occupancy	68.5% to 69.5%	68.4%
Additional beds	c. 120	82
Additional renal dialysis stations	c. 20	11
Additional oncology units	1	0

- PPD Growth:

- The PPD number at the end of H1 of -1.0% benefitted from Easter being in H2. The PPD number as of end February was -2.6%. There has been an improvement on the PPD numbers in H2 post Easter
- KZN is been the region which has been impacted the most with PPDs down c. -4.5%.
- The balance of the country is down c. -1%

- Occupancies:

- Occupancies remain under pressure with the negative PPD growth

- Additional capacity:

- The business added a total of c. 120 beds and continued to grow the Complementary Services business through the addition of 20 renal dialysis stations and a new Oncology unit in Pretoria

Regulatory Environment:

- HMI:
 - Continued extensive engagement regarding the HMI profitability analysis
 - Expect the Provisional findings and recommendations report to be published by 30 November 2017
- NHI:
 - Life Healthcare supports the underlying goals of universal healthcare
 - Working with various industry stakeholders in this process
- CEO Recruitment:
 - Thorough recruitment process is underway and should be complete for the end of the calendar year

Alliance Medical:

- UK:
 - Diagnostic Imaging (DI):
 - › Increased competition in the mobile business with additional capacity being added to the market
 - › Resulted in increased pricing pressure
 - › Signed an additional 2 Community Diagnostic centres (CDCs) bringing the total to 8
 - › Expect the first CDC to be opened in H1 2018
 - Molecular Imaging (MI):
 - › Roll-out of the PET-CT programme continues – completed H1 2018
 - › Good growth in PET-CT volumes
- Italy / Ireland:
 - Growth in line with expectations
- Northern Europe:
 - Good growth in Northern Europe on the back of the acquisition of Eckert & Zieglers cyclotron division for €13 million in Germany in May 2017
 - Extends Alliance Medical's molecular imaging presence in Northern Europe and supplements PET-CT scanning services across the region as well as the radiopharmacy facilities in the UK and Italy
 - Creates the largest European integrated radiotracer supply and Imaging organisation

Poland (Scanmed):

- The new NFZ contracts have been successfully completed with Scanmed securing new contracts. Contracts effective for 4 years
- H2 impacted by the cardiology tariff reductions in January 2017

India (Max Healthcare):

- Revenue and EBITDA growing at c.10%
- The pathology and oncology lines of business continue to show good growth
- Impact of regulatory headwinds:
 - Stent and orthopaedic price controls
 - Extended maternity leave
- Shareholding:
 - Life Healthcare and Max India acquired an equal share of the IFC stake in Max Healthcare at Rs 105 per share (R432m)
 - Increased shareholding enables Life Healthcare to protect its existing shareholding rights

**PRE-CLOSE
FINANCIAL
REVIEW**



	Estimated Range for FY 2017	31 Mar 2017
Revenue % growth	+3.5% to +4.5%	+4.7%
Normalised EBITDA margin %	25.0% to 26.0%	26.0%

- Revenue:
 - Increase in active case management by medical aids has negatively impacted acute revenue growth
 - Complementary Services continues to show good growth
 - Healthcare Services revenue has benefitted from the return of mental health patients in Gauteng
- Normalised EBITDA margins impacted by:
 - Decrease in acute PPDs and lower occupancies
 - Increased network discounts for volumes

	Estimated Range for FY 2017	31 Mar 2017
Alliance Medical: Sept 2016 vs Sep 2017		
Revenue % growth	+9.0% to +14.0%	+5.0%
Normalised EBITDA margin %	25.0% to 26.0%	27.0%
Scanmed:		
Revenue % growth	-2% to +2%	- 7.3%
Normalised EBITDA margin %	4.5% to 6.0%	5.1%

- AMG:
 - Good revenue growth driven by PET-CT volumes in the UK and Northern Europe expansion
 - EBITDA impacted by upfront costs on PET-CT and impact of increased competition on mobile business margins
- Scanmed:
 - Improved revenue growth in H2
 - EBITDA impacted by the cardiology tariff reductions
 - EBITDA margin for current year impacted by bad debt as highlighted in H1. Excluding this the margin is between 6.0% and 9.0%.

	Estimated Range for FY 2017	31 Mar 2017
Life Healthcare Group:		
Revenue % growth	+22% to +26%	+22.6.0%
Normalised EBITDA margin %	24.0% to 25.0%	25.1%
Once off items – largely related to AMG transaction	R500m – R520m	R309m
Impact of debt replaced with equity	R435m	R319m

- Revenue:
 - Revenue growth largely driven by AMG
- EBITDA margin %:
 - EBITDA margin impacted by slightly lower margin in all territories

Event	Date
Trading update	Early November
Annual Results – SENS	7:00 (CAT), 21 November 2017
Annual Results - Webcast	10:00 (CAT), 21 November 2017
Investor road show - Johannesburg	22 November 2017
Investor road show – Cape Town	23 / 24 November 2017
Investor road show – NY/Boston	30 November / 1 December 2017
Investor road show - London	4 / 5 December 2017