



LIFE HEALTHCARE'S 2014 ANNUAL RESULTS POSITIONS GROUP FOR SUSTAINED GROWTH

14 November 2014, Johannesburg - Life Healthcare Group Holdings Limited (Life Healthcare), a leading provider of private healthcare services in Southern Africa, today released its annual financial results for the period October 2013 to September 2014.

Highlights of the annual results include:

- a 10.2% increase in group revenue to R13 046 million
- a 8.25% increase in normalised EBITDA to R 3 611 million
- a 12.0% increase in normalised earnings per share to 168.6 cents
- a 11.9% increase in the total cash dividend to 141 cents per share
- Paid patient days (PPDs) increased by 2.0%

The results were achieved due to the Group's continued expansion strategy both locally and internationally, it's focus on providing affordable healthcare to the public, improving its clinical quality indicators and an ongoing emphasis on doctor recruitment and retention.

Life Healthcare's CEO, Andre Meyer, said the Group increased its group revenue by 10.2% and the normalised earnings per share by 12.0%. The private healthcare industry in South Africa continues to present strong growth opportunities; evidence of this is demonstrated by the fact that the Group added 249 beds in 16 facilities over the last 12 months. South Africa remains the Group's priority market and the group will add nearly 250 beds in 2015 through the 94 bed new Life Hilton Private Hospital, and by expanding existing facilities by 148 beds. In addition the Group will add over 30 renal dialysis stations and is starting construction on a new Oncology unit at Life Hilton Private Hospital.

"The provision of affordable healthcare to the publics in which we operate remains a firm commitment. Margins stabilised during the year, despite pressures from the depreciating Rand, salaries and overheads. Life Healthcare continued to improve on its quality metrics as evidenced by an improvement in both clinical outcomes and hospital associated infection rates," continued Meyer.

Financial performance

Group revenue, increased by 10.2% to R13 046 million (2013: R11 834 million). Hospital division revenue increased by 9.1% to R12 007 million (2013: R11 001 million) driven by a 2% increase in PPDs and higher revenue per PPD of 7.1%. The higher revenue per PPD was made up of a price increase of 6.6% and a case mix change of 0.5% due to more surgical cases. Healthcare Services revenue increased by 4.0% to R864 million (2013: R831 million) and was negatively impacted by the conclusion of the Matikwana contract in March 2014. The revenue contribution from Scanmed Multimedis (Scanmed) in Poland was R175 million.

The Group continues to focus on driving competency across the business. The alternative reimbursement model (ARM) together with higher occupancies and excellent cost of sales management allowed the Group, excluding Poland, to manage EBITDA margins despite cost pressures from the depreciation of the Rand, salary and overhead pressures resulting in normalised EBITDA for continued operations increasing by 8.6% to R3 597 million (2013: R3311 million). The EBITDA contribution from Scanmed was R16 million.

Global growth

International expansion and growth is also pivotal to the business' success going forward. Key markets that present continued opportunities for expansion include India and Poland with the Group demonstrating solid operational performance in India along with its acquisition of a further 20.25% in Max Healthcare Institute Limited (MHC), bringing its total shareholding to 46.25%. MHC India grew revenue by 23.5% for the past 12 months compared to the prior



period. For the period April to September 2014, Max continued to perform strongly, operationalising 106 beds and growing revenue by 27.4%.

The Group entered the Polish market through the acquisition of Scanmed in April 2014. The Group sees a great opportunity for consolidation in the Polish market and the strategy is to establish a comprehensive network of facilities covering all major cities and disciplines in Poland. A further two small acquisitions were made resulting in the Group owning 160 beds in Poland. The Group is considering further acquisitions to expand its network of healthcare facilities.

Occupancies

The Group's average occupancy for the year was 71.9% (2013: 71.7%); occupancies continue to remain high in the Group's intensive and high care units (77%) and in the Group's Mental Health and Acute Rehabilitation units (77%).

Financial position

The Group is in a strong financial position with a low gearing. Net debt to normalised EBITDA as of 30 September 2014 was 0.84 times (2013: 0.63 times) well within the bank covenants of 2.75 times. This low gearing provides the Group with the financial flexibility to continue to invest locally and internationally.

Cash flow

The business generated good cash flows. Streamlined administrative processes contributed to tight working capital management resulting in an increase of 2.7% to R3 516 million (2013: R3 422 million) in cash generated from operations, representing 97.4% (2013: 102.5%) of normalised EBITDA.

Headline earnings per share (HEPS) and normalised earnings per share

Headline earnings per share increased by 7.9% to 177.8 cps (2013: 164.8 cps). Earnings per share on a normalised basis, which excludes non trading related items and the effect of discontinued businesses, increased by 12.0% to 168.6 cps (2013: 150.6 cps).

Capital expenditure

During the current financial year, Life Healthcare invested R1 480 million (2013: R828 million) comprising capital projects of R962 million (2013: 760 million) and R518 million for the purchase of Scanmed and SSDSC (2013: R68 million to maintain the 26% shareholding in Max). A further R1 938 million has been committed for capital projects of which R1 551 million is expected to be spent in 2015. This investment in the Group's facilities ensures that the demand for services is met and the Group remains abreast of modern technology and standards.

Outlook

The Group will continue to focus on its growth objectives in South Africa, India and Poland. In South Africa the Group has an exceptionally strong pipeline of beds and expects to add over 250 beds through existing expansion and new facilities. The Group also intends to add 34 renal dialysis stations and a new Oncology centre. The Group has over 800 beds where Health Department licence approval has been obtained but where local and municipal approvals are outstanding and over 700 beds where licence applications are pending. In India, Max Healthcare will continue to increase the number of operational beds as more beds are opened in its new hospitals. In Poland the Group will continue to look to add to the current business through select and targeted acquisitions.

The focus to drive operational competency in South Africa, India and Poland through optimising cost of sales and procurement, streamlined administrative processes; the re-engineering of certain IT systems and improving hospital occupancies to enable the leveraging of the fixed cost base, continues.

The quality management programme of the Group is a comprehensive, consistently applied and measured programme which benchmarks clinical interventions against international best practise with the aim of enhancing patient outcomes. In addition Life Healthcare recognises the shortage of healthcare skills and will continue to invest heavily in the training of doctors, nurses and pharmacists.

The Competition Commission market inquiry into the healthcare sector will continue into 2015. The inquiry represents an opportunity to factually demonstrate what the real cost drivers of the healthcare industry are as well as proposing structural changes to make the industry more efficient and affordable and the Group will participate fully.

Changes to board of directors

Marian Eslie Jacobs and Royden Thomas Vice were appointed to the Board from 1 January 2014. Trevor Stuart Munday retired from the Board with effect from 30 January 2014 at the annual general meeting. Cecil Michael Douglas Flemming retired as Director and Chief Executive Officer with effect 31 March 2014 and André Meyer was appointed as the new Chief Executive Officer on 1 April 2014.

-Ends-

Issued by:

Pippa Galbraith, FleishmanHillard South Africa
Mobile 072 785 3283
Email pippa.galbraith@fleishman.co.za

Enquiries:

Dr Julie MacLiam, communications manager: Life Healthcare
Mobile 081 422 9949.
Email Julie.macliam@lifehealthcare.co.za

NOTES TO EDITORS

Life Healthcare Group Holdings Limited is a leading private hospital operator in South Africa that primarily serves the market for privately insured individuals, representing more than eight million people.

The Group has more than 28 years' experience operating private hospitals in South Africa. Established in 1983, Life has grown through acquisitions, capacity expansion within existing facilities, the addition of new lines of business, and development and construction of hospitals.

Five years after the Group (then known as Afrox Healthcare) was taken private and delisted from the JSE, on 10 June 2010, it again listed on the JSE and became a public company, Life Healthcare Group Holdings Limited.

Life Healthcare is primarily a provider of acute care, high technology private hospital services and its business is organised into two divisions:

- Hospitals Division, which represents 93% of Life Healthcare's revenues for the 2014 financial year, and includes Life Healthcare's core acute care hospital business, as well as specialised facilities that provide services in the areas of acute rehabilitation, chronic renal dialysis, mental healthcare services, radiation and chemotherapy oncology .
- Healthcare Services Division, which represents 7% of Life Healthcare's revenues for the 2014 financial year, and includes the provision of acute and long-term chronic hospitalisation services to state patients through Life Esidimeni, as well as primary and occupational healthcare through Life Occupational Health.



Life Healthcare has an extensive geographic network of diverse facilities, including hospitals across seven of South Africa's nine provinces and in the country's most populous metropolitan areas. The Group enjoys the support of approximately 2700 specialists and other healthcare professionals. In conjunction with these healthcare professionals our hospitals and sameday surgical centres offer access to:

- 8418 registered beds
- 63 acute hospitals
- 7 acute rehabilitation facilities
- 6 mental healthcare facilities
- 178 renal stations
- 12 Life Esidimeni facilities
- 240 000 Occupational Health Lives

Life Healthcare's vision is to be a world class provider of quality care for all.