

## **Life Healthcare Group Holdings Limited**

Incorporated in the Republic of South Africa

Registration Number: 2003/002733/06

ISIN: ZAE000145892 Share Code: LHC

("Life Healthcare")

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO CANADA, AUSTRALIA AND JAPAN

## **ACQUISITION OF UK-BASED ALLIANCE MEDICAL GROUP LIMITED AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT**

### **1. Introduction**

Life Healthcare shareholders are advised that Life Healthcare has entered into a definitive agreement to acquire c.95% of the issued share capital of Alliance Medical Group Limited ("**Alliance Medical**" or "**the company**") for an initial cash consideration of GBP553 million or c.ZAR9.7 billion and a deferred cash consideration of up to GBP40 million or c.ZAR0.7 billion (the "**Consideration**"), the exact quantum of which deferred cash consideration will be dependent on Alliance Medical's financial performance through to 31 March 2017 (the "**Acquisition**"). This represents an implied enterprise value of Alliance Medical of between GBP760 million (c.ZAR13.3 billion) and GBP800 million (c.ZAR14.0 billion). The selling shareholders of Alliance Medical are funds managed by M&G Investments, Talbot Hughes Mckillop LLP and senior management of Alliance Medical.

### **2. The Acquisition**

#### **2.1 Rationale**

Alliance Medical is one of Western Europe's leading providers of complex molecular and diagnostic imaging services with strong market positions in the United Kingdom ("**UK**"), Italy and Ireland and a platform for expansion more broadly with existing participation in eight European markets. Alliance Medical is unique in Western Europe in terms of its vertically integrated model providing services across the molecular imaging value chain ranging from radiopharmaceutical production to scanning services provision and results reporting.

Alliance Medical is well positioned in attractive growth markets underpinned by favourable structural drivers including: ageing populations; growing disease burden; capacity constraints in public health systems; and the demand for improved access to diagnostics.

Alliance Medical enjoys embedded partnerships with national healthcare systems, including a long-term relationship with the National Health Service ("**NHS**") in England through the national PET-CT framework. Alliance Medical also owns the largest portfolio of out-of-hospital clinics in Italy. Good clinical service, clinical governance and patient satisfaction are at the heart of the company's service offering.

Life Healthcare's vision is to be a market leading, international, diversified healthcare provider offering high quality, cost effective services in its chosen markets. Over the past few years, Life Healthcare has expanded into mental health, acute physical rehabilitation, renal dialysis and oncology. Life Healthcare sees the entry into diagnostics as a natural part of this growth and diversification strategy.

In addition to investing in a growing developed market, the Acquisition provides Life Healthcare an opportunity to diversify into attractive new geographies with a strong basket of currencies. The Acquisition will allow Life Healthcare to transfer skills and expertise between the territories in which it operates.

## **2.2 Terms of the Acquisition**

Life Healthcare will acquire c.95% of the issued share capital of Alliance Medical for the Consideration through a wholly-owned and newly-incorporated UK subsidiary. Alliance Medical senior management will reinvest to acquire a c.5% stake in the company alongside Life Healthcare.

Life Healthcare will fund the Acquisition through a bridge facility provided by Barclays Bank PLC, Absa Bank Limited (acting through its Corporate and Investment Banking Division) and Rand Merchant Bank (A division of FirstRand Bank Limited). Refinancing of the bridge facility will be by way of a possible rights issue to qualifying Life Healthcare shareholders ("**Rights Issue**"), a term loan in South Africa and debt financing in the UK. A detailed announcement will be released and a circular distributed to Life Healthcare shareholders in due course, setting out the timing and terms of the Rights Issue.

Following the Acquisition, Alliance Medical will become a wholly-owned subsidiary of Life Healthcare. Upon implementation of the Acquisition, Life Healthcare will ensure that the Memorandum of Incorporation of Alliance Medical does not frustrate or relieve Life Healthcare in any manner from compliance with the JSE Limited ("**JSE**") Listings Requirements.

## **2.3 Conditions precedent to the Acquisition**

The Acquisition is not subject to any conditions precedent and, as such, the effective date for the Acquisition is expected to be 21 November 2016.

## **2.4 Net assets and profits of Alliance Medical**

As at its year-ended 31 March 2016, Alliance Medical had gross total assets of GBP276 million and net assets of GBP10 million. For the year ended 31 March 2016, Alliance Medical reported earnings before depreciation, amortization, interest and taxes of GBP60 million and a net profit after tax of GBP9 million. The company's historical financial statements have been prepared in accordance with International Financial Reporting Standards.

## **2.5 Categorisation**

The Acquisition is a Category 2 transaction in terms of the JSE Listings Requirements.

## **2.6 Additional information**

Life Healthcare shareholders are referred to the investor presentation available on [www.lifehealthcare.co.za](http://www.lifehealthcare.co.za) for additional information regarding the Acquisition. Life Healthcare management will also host an investor call at 15:30 (CAT) on 16 November 2016 .

Please click the link below to join the webinar:

<https://zoom.us/j/226655313>

Or iPhone one-tap (US Toll): +16465588656,226655313# or +14086380968,226655313#

Or Telephone:

Dial: +1 646 558 8656 (US Toll) or +1 408 638 0968 (US Toll)

Webinar ID: 226 655 313

International numbers available:

<https://zoom.us/join?j=226655313>

### **3. Withdrawal of cautionary announcement**

Life Healthcare shareholders are referred to the cautionary announcement dated 11 November 2016. Following publication of this announcement, Life Healthcare shareholders are no longer required to exercise caution when dealing in their shares and the cautionary announcement is hereby withdrawn.

Illovo

16 November 2016

#### **Lead financial advisor and co debt arranger**

Barclays Bank PLC (acting through its Investment Bank)

#### **Co financial advisor and co debt arranger**

Absa Bank Limited (acting through its Corporate and Investment Banking division)

#### **Co financial advisor, co debt arranger and sponsor**

Rand Merchant Bank (A division of FirstRand Bank Limited)

#### **International and South African legal counsel to Life Healthcare**

Allen & Overy LLP

#### **Further information**

*Barclays Bank PLC, acting through its Investment Bank ("**Barclays**"), which is authorised by the Prudential Regulation Authority and regulated in the United Kingdom by the Financial Conduct Authority and the Prudential Regulation Authority, is acting exclusively for Life Healthcare and no one else in connection with the Acquisition and will not be responsible to anyone other than Life Healthcare for providing the protections afforded to clients of Barclays nor for providing advice in relation to the Acquisition or any other matter referred to in this announcement*

#### **Important Notice**

The information contained herein is not for release, publication or distribution, directly or indirectly, in or into Canada, Australia or Japan or any other jurisdiction in which the distribution or release would be unlawful. These materials are not and do not contain an offer of securities for sale or a solicitation of an offer to purchase or subscribe for securities in any jurisdiction, including the United States, Australia, Canada or Japan or any other state

or jurisdiction in which such release, publication or distribution would be unlawful. The securities to which these materials relate (the "Securities") have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold in the United States unless registered under the Securities Act or pursuant to an exemption from, or in a transaction not subject to, registration under the Securities Act. There will be no public offer of the Securities in the United States. Subject to certain exceptions, the Securities may not be offered or sold in Australia, Canada or Japan or to, or for the account or benefit of, any national, resident or citizen of such countries.

These materials are only being distributed to and are only directed at: (i) persons who are outside the United Kingdom; or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"); or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2) of the Order; or (iv) persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated; or (v) persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). The Securities are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this announcement or any of its contents.

In any EEA Member State other than the United Kingdom that has implemented Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU to the extent implemented in the relevant Member State, together with any applicable implementing measures in any Member State, the "Prospectus Directive") this announcement is only addressed to and is only directed at qualified investors in that Member State within the meaning of the Prospectus Directive.

These materials do not constitute or form a part of any offer or solicitation or advertisement to purchase and/or subscribe for Securities in South Africa, including an offer to the public for the sale of, or subscription for, or the solicitation or advertisement of an offer to buy and/or subscribe for, shares as defined in the South African Companies Act, No. 71 of 2008 (as amended) or otherwise (the "Act") and will not be distributed to any person in South Africa in any manner that could be construed as an offer to the public in terms of the Act. These materials do not constitute a prospectus registered and/or issued in terms of the Act. Nothing in this announcement should be viewed, or construed, as "advice", as that term is used in the South African Financial Markets Act, No. 19 of 2012, as amended, and/or Financial Advisory and Intermediary Services Act, No. 37 of 2002, as amended.

The contents of this announcement have not been verified by the banks appointed in connection with the Rights Issue or any of their respective affiliates (together, the "Banks"). The Banks are each acting exclusively for Life Healthcare and for no-one else in connection with any transaction mentioned in these materials and will not regard any other person (whether or not a recipient of this announcement) as a client in relation to any such transaction and will not be responsible to any other person for providing the protections afforded to their respective clients, or for advising any such person on the contents of these materials or in connection with any transaction referred to in this announcement.

No reliance may be placed for any purposes whatsoever on the information contained in this announcement or on its accuracy or completeness. No representation or warranty, expressed or implied, is given by or on behalf of Life Healthcare, Alliance Medical Group, the Banks or their respective affiliates, directors, officers or employees, advisors or any other person as to the accuracy or completeness of the information or opinions contained in this announcement, and no liability whatsoever is accepted for any such information or opinions or any use which may be made of them.

Persons receiving this announcement should make all trading and investment decisions in reliance on their own judgement and not in reliance on the Banks or this document. None of the Banks is providing any such persons with advice on the suitability of the matters set out in this announcement or otherwise providing them with any investment advice or personal recommendations. Any presentations, research or other information communicated or otherwise made available in this document is incidental to the provision of services by the Banks to Life Healthcare and is not based on individual circumstances.

All investment is subject to risk. The value of the securities offered may go down as well as up. Past performance is no guarantee of future returns. Potential investors are advised to seek expert financial advice before making any investment decision.

### **Forward-Looking Statements**

This announcement includes certain forward-looking statements, beliefs or opinions, including statements with respect to Life Healthcare or Alliance Medical Group's business, financial condition, results of operations and prospects. Forward-looking statements are typically identified by the use of forward looking terminology such as "believes", "expects", "may", "will", "could", "should", "intends", "estimates", "plans", "assumes", "anticipates", "annualized", "goal", "target" or "aim" or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy that involve risk and uncertainties. These statements reflect the directors' beliefs and expectations and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. No representation is made that any of these statements or forecasts will come to pass or that any forecast results will be achieved. There are a number of risks, uncertainties and factors that could cause actual results and developments to differ materially from those expressed or implied by these statements and forecasts. Past performance cannot be relied on as a guide to future performance. Forward-looking statements speak only as at the date of this announcement, and Life Healthcare expressly disclaims any obligations or undertaking to release any update of, or revisions to, any forward-looking statements in this announcement. No statement in this announcement is intended to be a profit forecast. As a result, you are cautioned not to place any undue reliance on such forward-looking statements. Please refer to the Annual Report for the year ended 30 September 2015 for a description of certain important factors, risks and uncertainties that may affect Life Healthcare's businesses.