

ANNUAL GENERAL MEETING

28 November, 2018

Clayton Astles
CEO



AZURE
HEALTHCARE LIMITED

PRESENTATION **AGENDA**

- **Azure Opportunity**
- **Financial Performance**
- **Outlook**

ASX:AZV SNAPSHOT



Global leader in the design and manufacture of sophisticated, high quality, nurse call and clinical workflow solutions

MARKET INFORMATION

Shares on Issue	232,712,826
Options on Issue	8.2M
Market Cap	\$17.45M
52-Week High	\$0.105
52-Week Low	\$0.054
Average Volume	99,324

* Current as at 27/11/18

COMPANY INFORMATION

Financial Position	Profitable with strong cash flow from operations and no long-term debt
Track Record	Products located in over 4,500 sites globally
Manufacturing	Purpose-built design and manufacturing centre in Dallas, Texas
Target Markets	Primary market USA with other sales offices in UK, Canada, Singapore, New Zealand and Australia
Flagship Product	Tacera and Tacera Pulse have been shown to outperform competitor's products by significantly reducing Code Blue response times
Sales Network	A dedicated team of Austco sales representatives works closely with an extensive global reseller network

FINANCIAL INFORMATION

P/E	17.65
EPS	\$0.0051
Cash Flow from Ops	\$2.0M
Net Cash	\$1.66M
Revenue	\$28.9M
EBITDA	\$1.57M

AZURE OPPORTUNITY

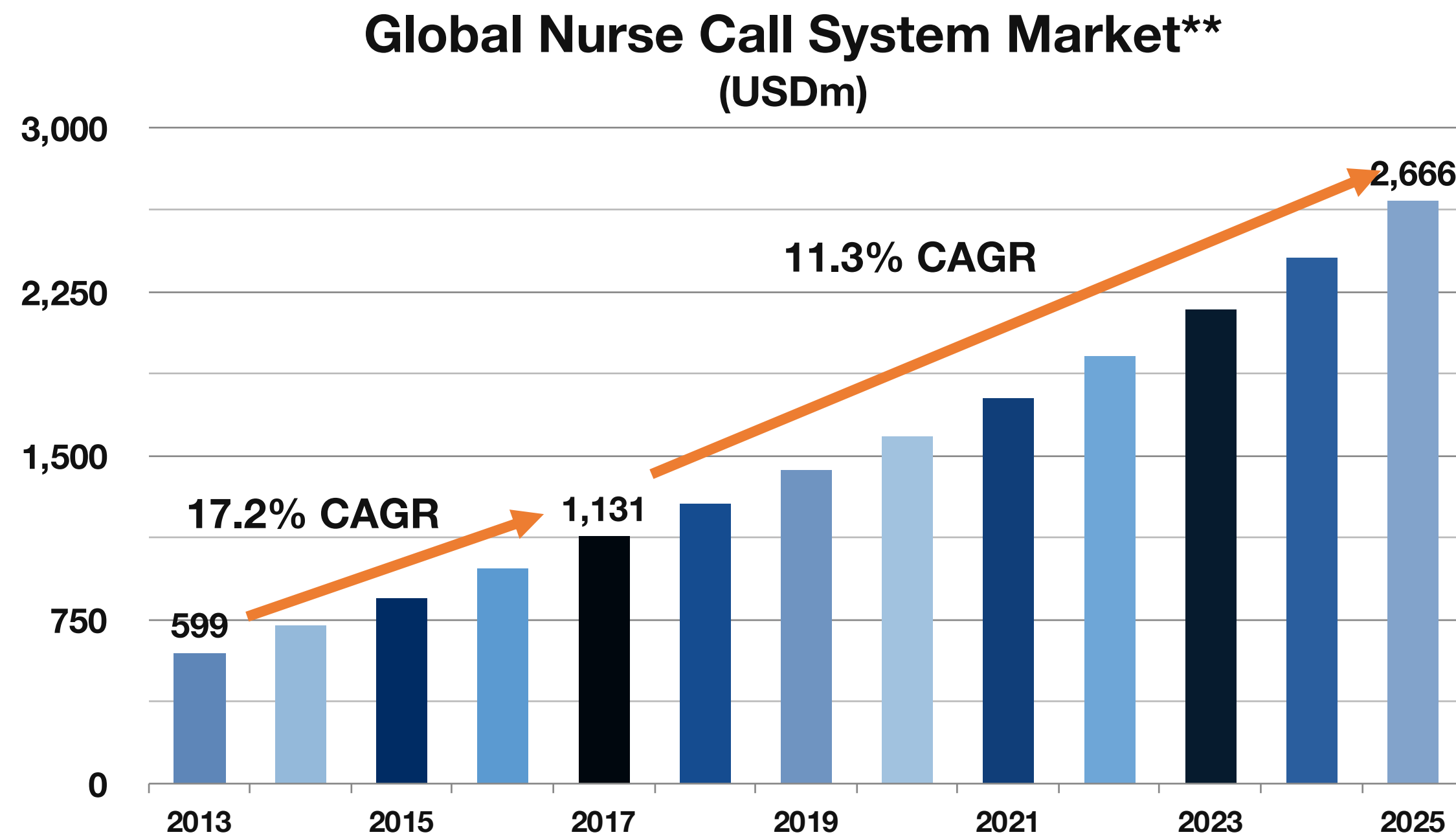


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GLOBAL MARKET

Nurse call system market grew by an average 17.2% pa from 2013 to 2017, and is expected to more than double from 2017 to 2025, driven by aging populations and increasing demand for both better clinical outcomes and financial efficiencies from health budgets

Hospitals and assisted living centres dominate the global demand for nurse call systems, and will continue to do over the medium term, accounting for almost 90% of the market and its growth out to 2020



** TMR 2014 & 2018

Revenue by facility type (USDm)*	2017	2020	% 2020 total	3 year growth
Hospitals	814.0	1,112.2	70.4%	36.6%
Outpatient clinics	94.4	128.6	8.1%	36.2%
Assisted living	183.7	286.2	18.1%	55.8%
Ambulatory care	38.9	52.3	3.3%	34.4%
Total	1,131.0	1,579.5	100%	39.7%

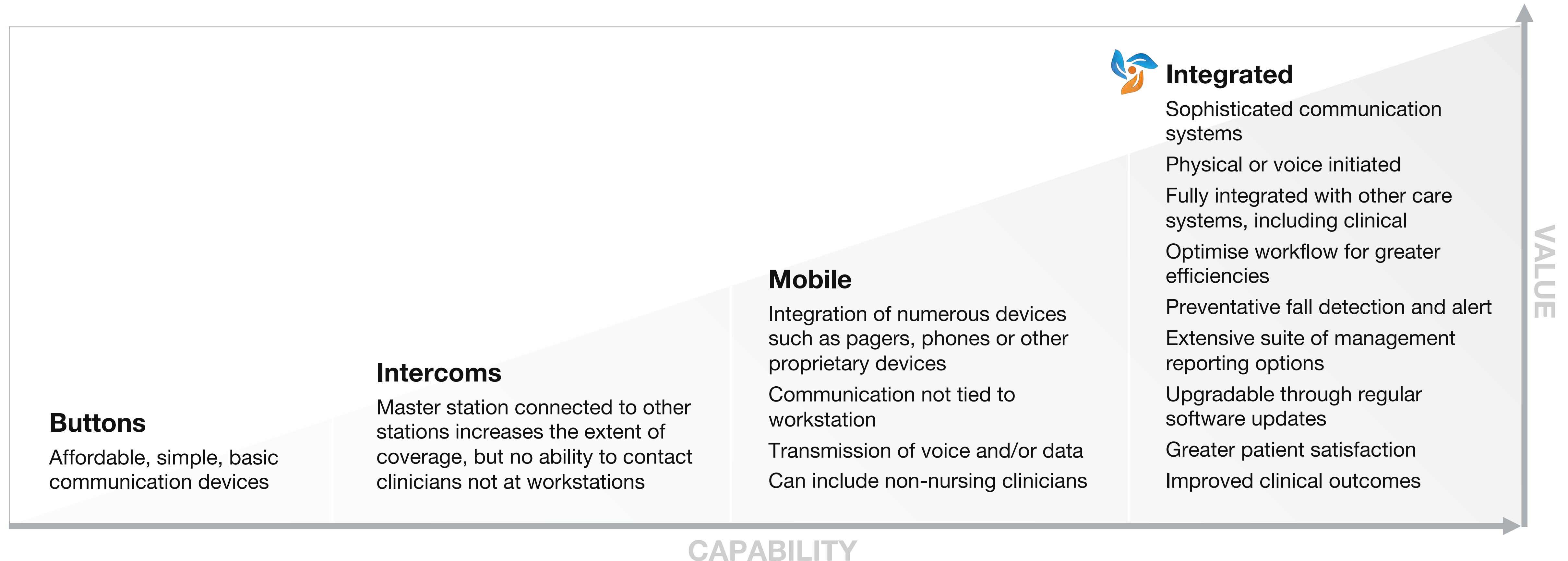
* TMR 2014

Assisted living centres tend to require simpler systems than hospitals, although some functions such as fall prevention, are clearly of great value. With a broader array of clinical and other systems to integrate with, hospitals systems tend towards the more complex

➔ Global growth is forecast to be over 11% per annum from 2017, underpinning Azure's growth prospects

GLOBAL NURSE CALL SYSTEMS

“Nurse call” covers an extensive spectrum of healthcare communications systems of vastly different capabilities*



 **Increasingly complex systems offer life-saving solutions that are central to hospital systems**

* Transparency Market Research (TMR), 2014

TACERA



IP based nurse call and clinical workflow solution that ensures rapid and effective responses to patient calls

Key Features

- Real-time data distribution enabling faster response times with alerts sent to specific carers:
 - optimising workflows and procedures
 - reducing wasted time
 - reducing alarm fatigue for staff
 - providing a quieter, less stressful patient environment
- State-of-the-art microprocessor controllers, touch screen staff stations and nurse-to-patient speech
- Call buttons incorporating infection control technology which automatically provide cleaning time and date data to a central server for auditing use
- User-friendly, visually appealing call points, over door lights and multi-coloured annunciator displays



TACERA PULSE

Suite of software applications that integrates mobile applications and business intelligence tools with an interactive dashboard, enabling healthcare providers to make data driven decisions in real time

Key Features

- Interfaces with systems such as Real-Time Locating Systems (RTLS), EMR's, mobile phones, patient entertainment systems and beds
- Alerts specific caregivers ensuring rapid response times. Pulse Mobile enables notifications directly on personal smartphones
- Provides visual representation of healthcare facilities' KPIs, enabling effortless monitoring of operational performance
- Allows users to tailor the displays to meet their individual requirements due to the high level of configuration of Tacera Pulse dashboards



SEGMENTED OVERVIEW

USA/CANADA

Markets	North America, Latam
Sales	A\$12.3m
Employees	57
Activities	Sales, R&D, Manufacturing

UK

Markets	Europe
Sales	A\$2.3m
Employees	7
Activities	Sales

GLOBAL COVERAGE



➔ **Regional offices give a local sales presence in sophisticated and high value markets**

SINGAPORE

Markets	Asia and Middle East
Sales	A\$3.6m
Employees	15
Activities	Sales

AUSTRALIA/NZ

Markets	Australia, NZ
Sales	A\$10.8m
Employees	19
Activities	Sales and R&D

GO TO MARKET STRATEGY

Azure Healthcare's products are marketed under the Austco brand



RESELLER NETWORK

- A team of resellers in Asia, Australia, Canada, Europe, Latin America, the Middle East, New Zealand, the UK and the US augments the sales team.
- Resellers are an extension of the Austco sales team, trained internally in sales, installation and customer support.
- The reseller channel allows us to target more opportunities without increasing our cost base.

DIRECT SALES FORCE

- Austco has a dedicated, highly trained sales force to develop sales strategy and target large opportunities directly.
- Austco direct sales force targets corporate clients, large hospital facilities and purchasing/procurement organisations.
- We currently have direct sales resources in 6 countries.

 ***All internal and external sales and marketing people are fully trained and expert in our products***

FINANCIAL PERFORMANCE



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FY2018 FINANCIAL SNAPSHOT

A\$'000	2018	2017*	VARIANCE	NOTES
Revenue	28,940	28,919	▲ 21	Consistent with previous year
Gross Margin \$	14,134	13,517	▲ 617	CoGS reduction of \$0.86M
Gross Margin %	48.8%	46.3%	▲ 2.1%	Factory efficiencies improving margins
Overhead expenses	(12,880)	(15,534)	▲ 2,645	\$0.74M dev costs capitalised in 2018, previously expensed
EBIT	1,313	(1,449)	▲ 2,762	Improved EBIT driven by lower costs
NPAT	1,194	(1,638)	▲ 2,832	
Net cash flow	656	84	▲ 572	Excludes impact of FX rates on balances
Cash on hand	2,307	1,717	▲ 590	Includes impact of FX rates on balances

 **Significant cost reductions have driven a dramatic turnaround in performance**

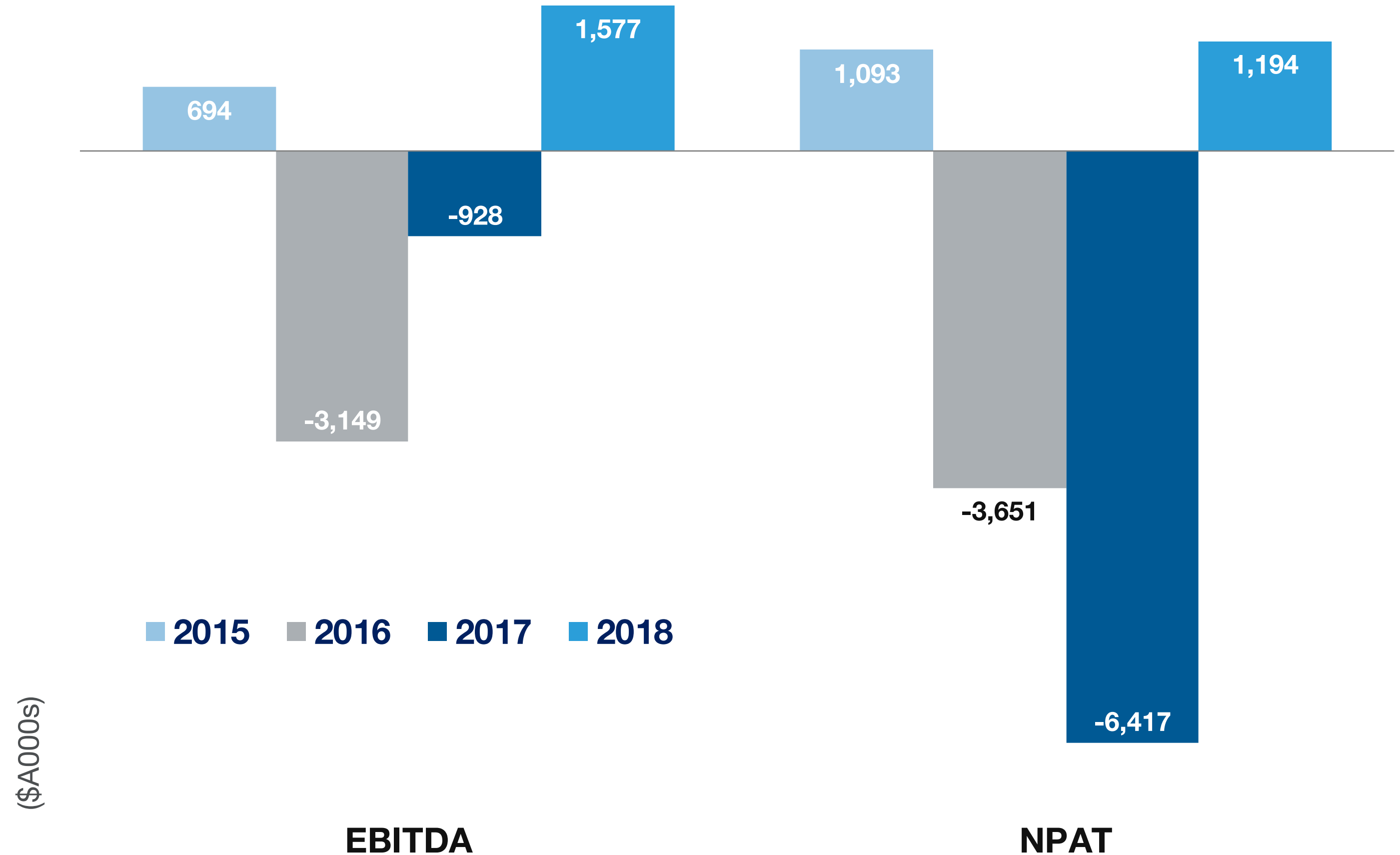
* includes net proceeds of \$0.46M from asset sale

* excludes impairment charge of \$2.75M and write off of deferred tax asset of \$2.08M

EARNINGS

2018 marks a solid return to positive earnings:

- EBITDA & NPAT positive for first time since 2015
- EBITDA & NPAT at highest level since 2015
- earnings per share increased to 0.51cps, from (3.02cps) in FY2017



➔ Restructuring the business and cleaning up the balance sheet in 2016 and 2017 have built a solid base for growth

*2017 includes net proceeds of \$0.46M from asset sale, impairment charge of \$2.75M and write off of deferred tax asset of \$2.08M

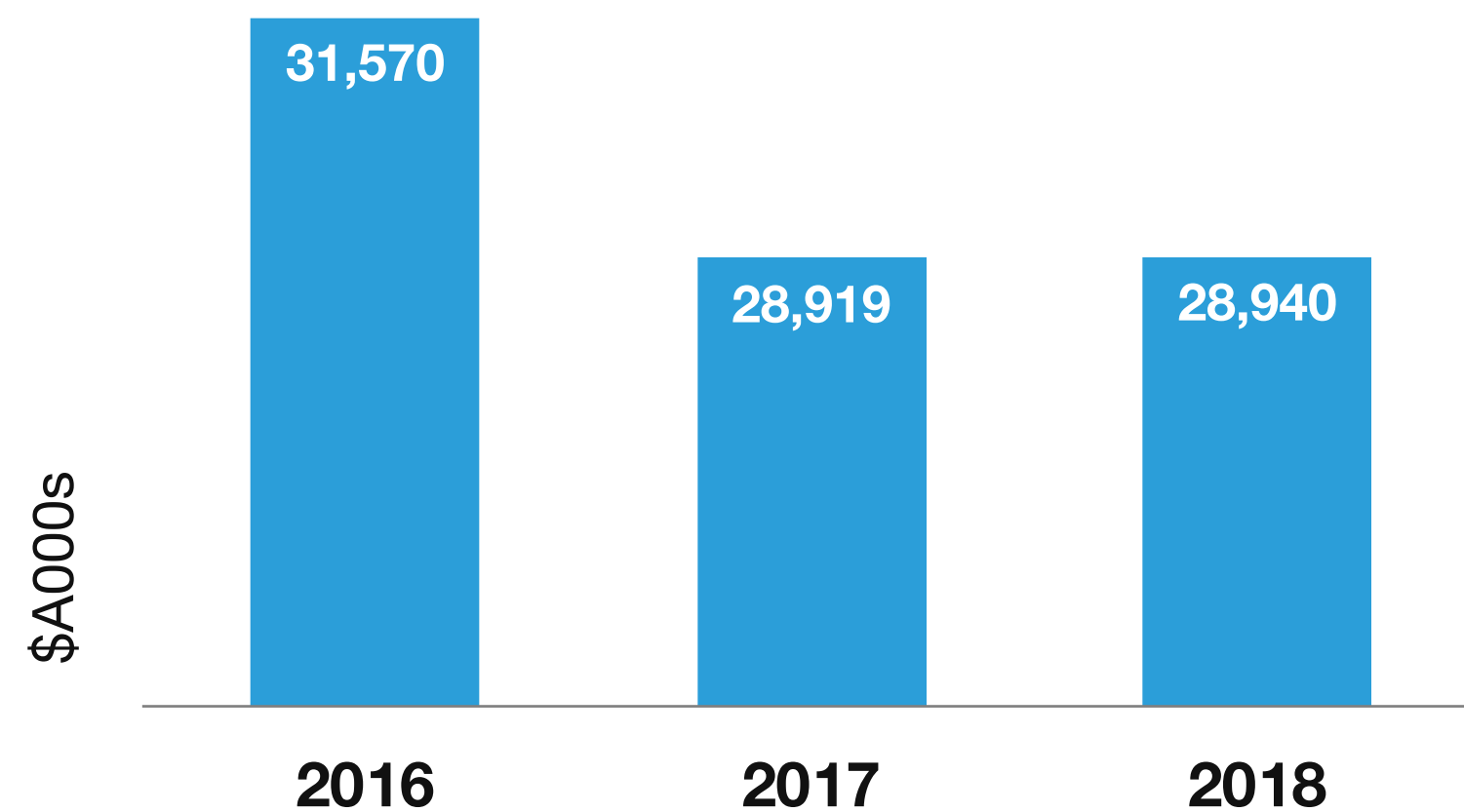
REVENUE & GROSS PROFIT

- Sales revenue arrests decline of previous 3 years
- Revenue typically lags 12 to 24 months from contract award
- Strong growth in recurring revenue to 11%

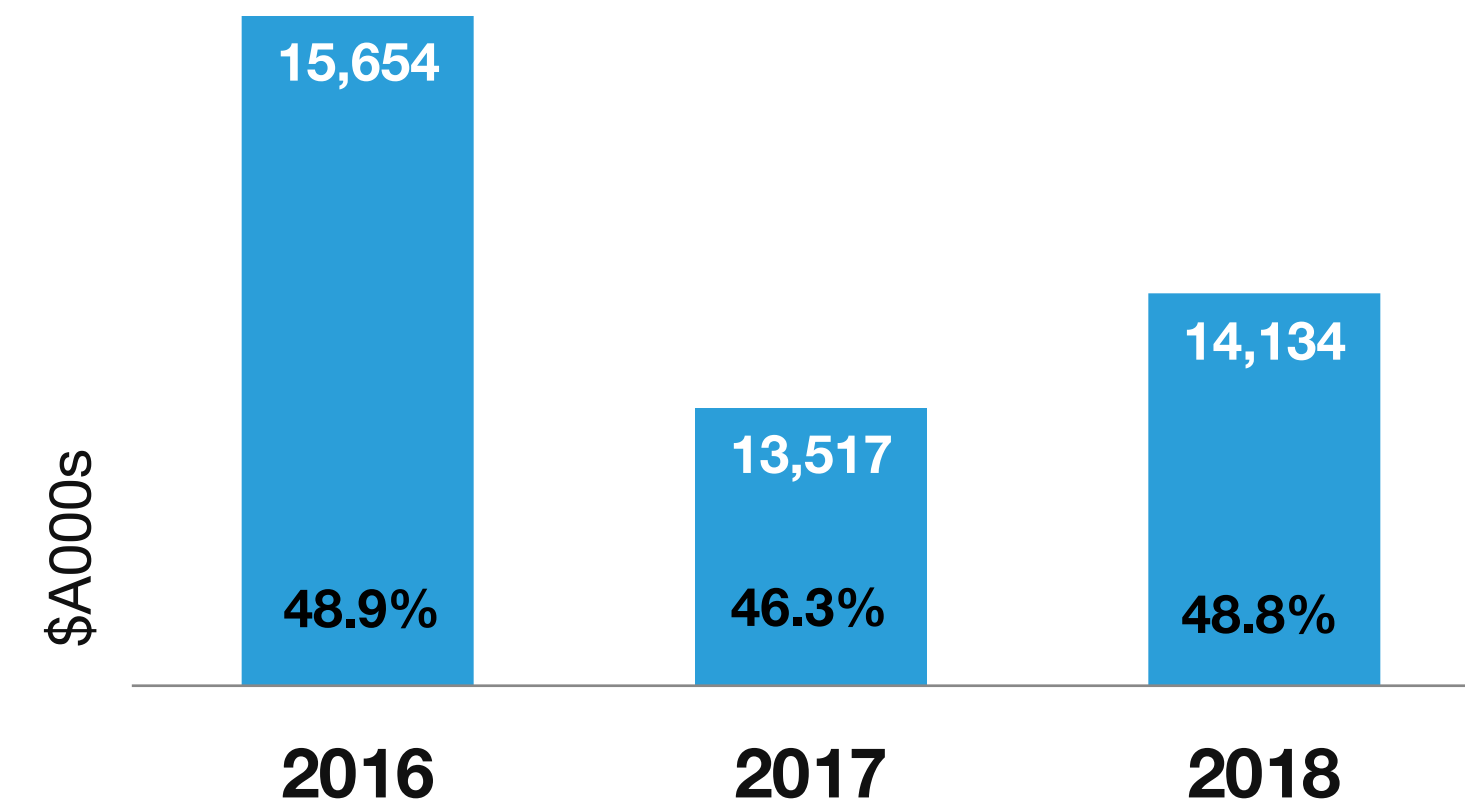
Centralised manufacturing in Texas has reduced manufacturing costs with:

- gross margin increasing to 48.8%, up 2.5% points on 2017
- full year gross margin increasing by \$0.62M compared with FY17

REVENUE FROM OPERATIONS



GROSS PROFIT / MARGIN

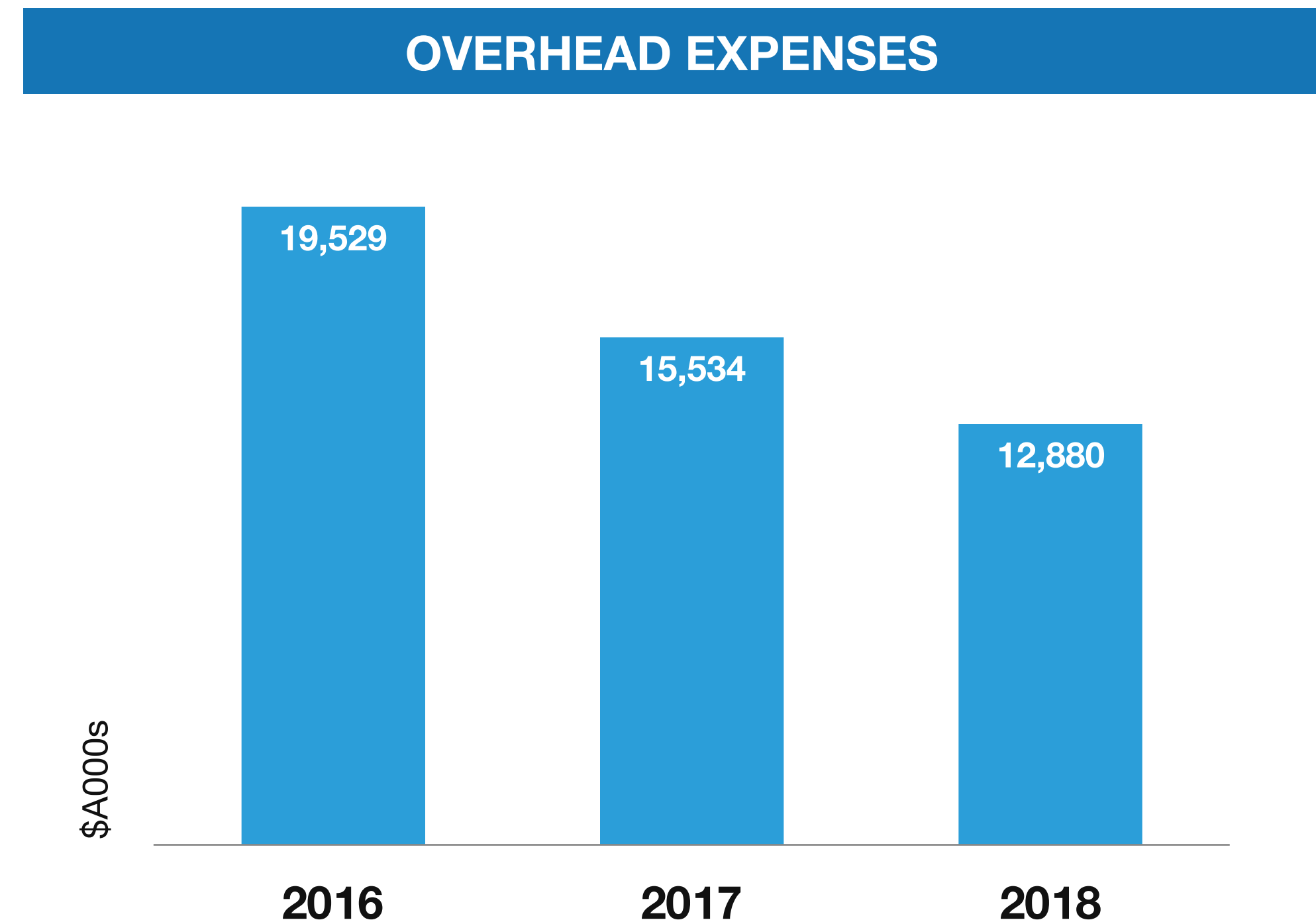


A reduction in cost of goods and an increase in recurring revenue have restored the profit margin

OVERHEAD EXPENSES

Reduction in cash and non-cash overheads

- a 17% decrease over 2017, with savings made across entire business
- change in R&D policy from past years resulting in \$0.74M capitalisation of product development costs
- total cash and non-cash savings of \$2.65M



➔ *Annual overhead is now at its lowest level since 2014*

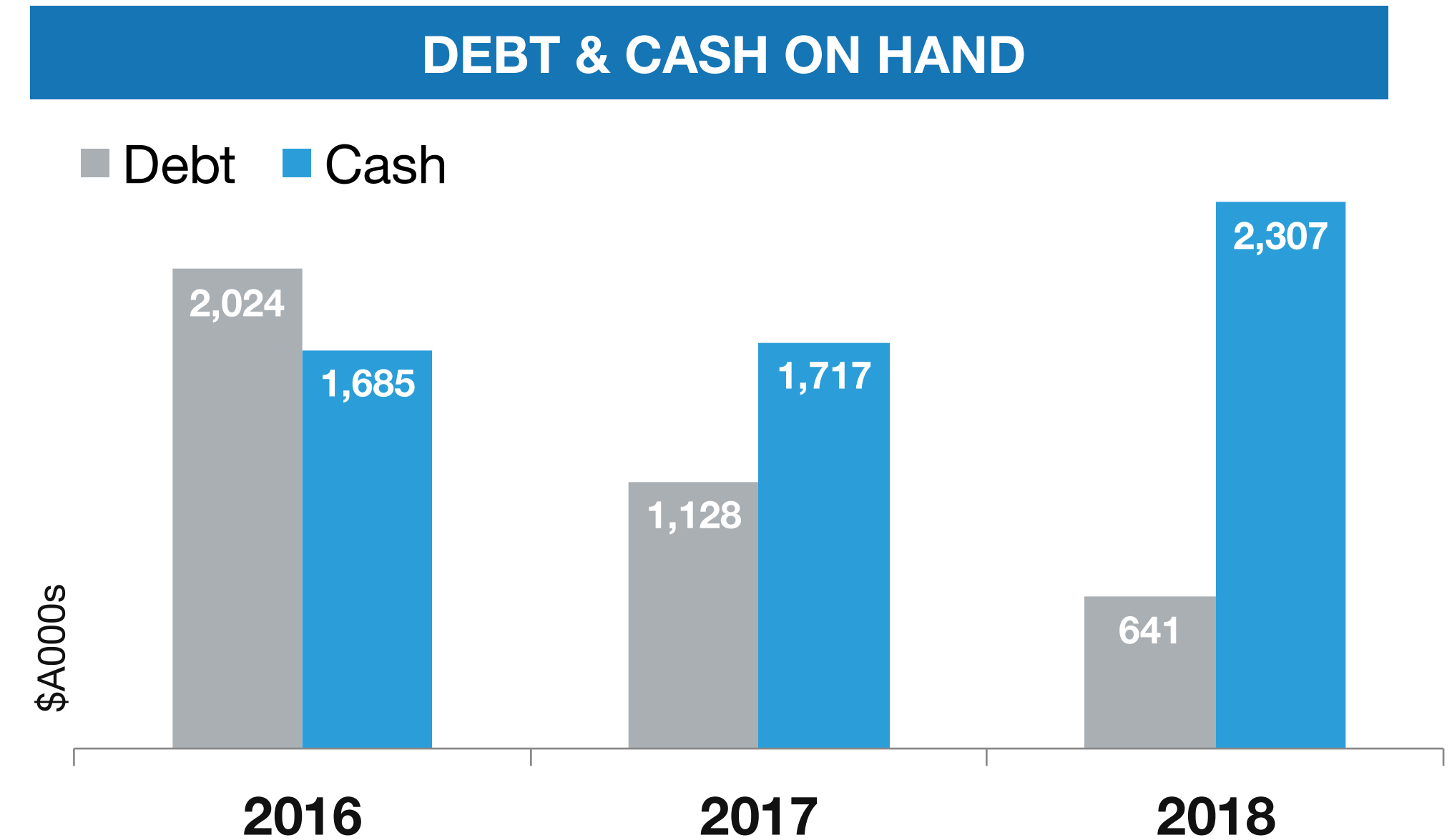
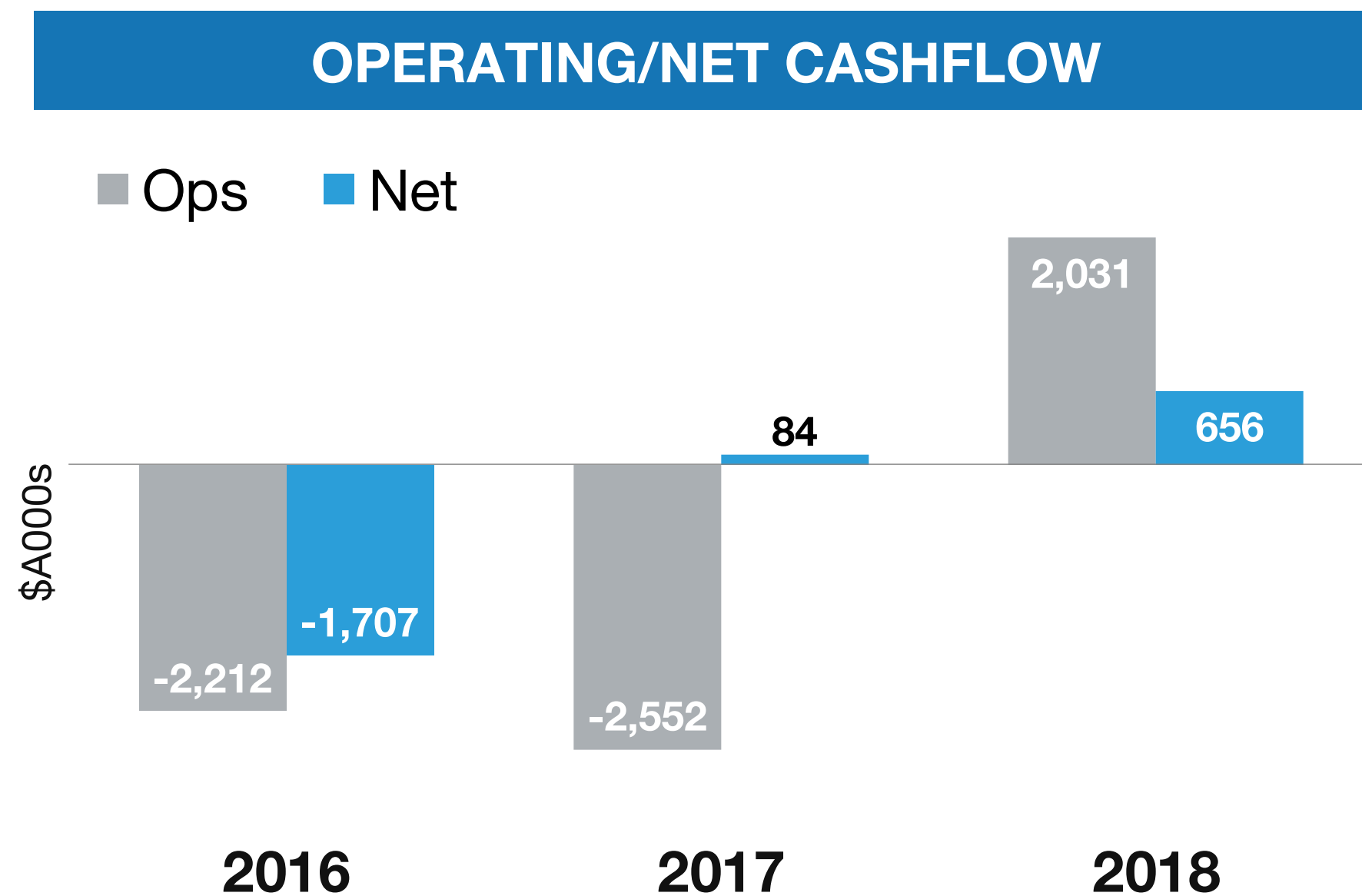
CASH & DEBT

Operations continue to be cash positive with:

- positive operating and net cash flows of \$2.03M and \$0.66, compared with (\$2.6M) and \$0.1M respectively in 2017
- third consecutive half to June 2018 of positive cash flow from operations and net cash flow

Positive cashflow has:

- grown cash from \$1.7m to \$2.3m
- allowed the repayment of debt, reducing debt from \$1.1m to \$0.6m over the last 12 months










➔ With strong internally generated cashflow cash has grown and debt has been reduced

OUTLOOK



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FY2018 STRATEGIC OBJECTIVES

STRATEGIC OBJECTIVE	ACHIEVEMENT
Streamline manufacturing and reduce COM	 Reduced cost of goods sold by 4.4% from \$15.7M in FY17 down to \$14.8M in FY18
Target national accounts	 Secured 2 national accounts
Improve inventory management and turnaround time	 Reduced inventory from \$10.9M to \$6.1M
Continue strict focus on product quality	 Reduced cost of quality by 50%
Establish key strategic partnerships	 Secured two-year partnership agreement with Ideacom Mid-America, a large Group Purchasing Organisation (GPO) Selected by Magnet Group GPO as approved nurse call solution provider
Continue to increase software revenue	 Increased recurring/software revenue to \$3.13M (10.9% of total sales) in FY18 compared with \$1.75M (6% of total sales) in FY17
Release innovative new products	 Launched Pulse Mobile – nurse call alarm management for smartphones Launched further developments of Pulse RTLS software

 **All FY18 strategic objectives were met, underpinning the improved business returns**

FY2019 STRATEGIC OBJECTIVES

STRATEGIC OBJECTIVE

STATUS

Focus on high quality new products that differentiate Azure from its competitors

▶ In progress

Improve manufacturing efficiencies to drive further cost reductions

▶ In progress

Maximise sales opportunities, including continuing focus on GPOs

▶ In progress

Increase revenue from subscription based software licence and maintenance agreements

▶ In progress

Build further strategic partnerships with market leading healthcare technology companies

▶ In progress

 ***In FY19 we will continue to focus on improving business efficiency and building revenue growth***

NEW CONTRACTS / OPEN SALES ORDERS



CONTRACT DETAILS	CLIENT	COUNTRY	\$M	DATE	TIMEFRAME
New regional distributor	Ideacom Mid-America	USA	Ongoing partnership	July 2018	2 years (option to extend)
Tacera Nurse Call System	Magnet Group	USA	Ongoing partnership	February 2018	3 years
Tacera and Data Warehouse	Hospital	USA	\$0.535M	May 2018	FY2019
Tacera Nurse Call System	Hospital	Canada	\$1.9M	August 2018	2020
Tacera Nurse Call System	Medical City Hospital	The Philippines	\$0.620M	October 2018	2019

 ***Growing sales momentum has resulted in a much larger order book than forecasted***

CURRENT BUSINESS ISSUES

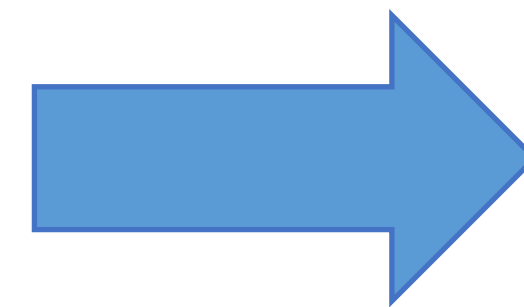
EXTERNAL CHALLENGES

US Tariffs on China

- New tariff impost onto the business potentially commencing January 2019
- US tariff issues has caused a run on raw material components for the whole industry

Market Growth

- Sales pipeline being positively impacted by the market need for more complex solutions involving software
- Growth in all our regions



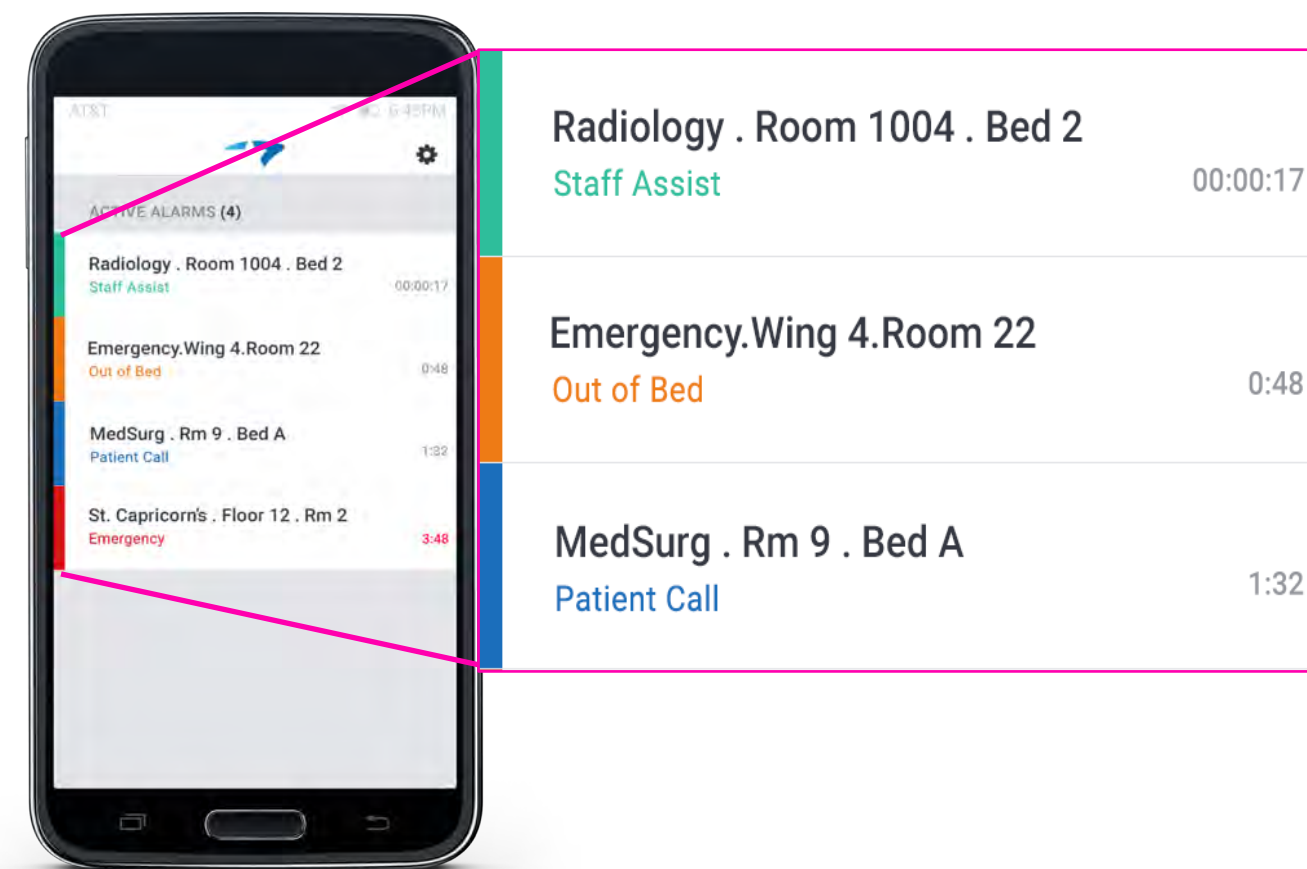
INTERNAL CHALLENGES

Manufacturing Challenges

- Largest order book in recent history driven by a large number of smaller recent contract wins
- Supply chain issues are slowing manufacturing
- Transitioning component sourcing from China market to alternate markets
- Lead times to procure are significantly higher

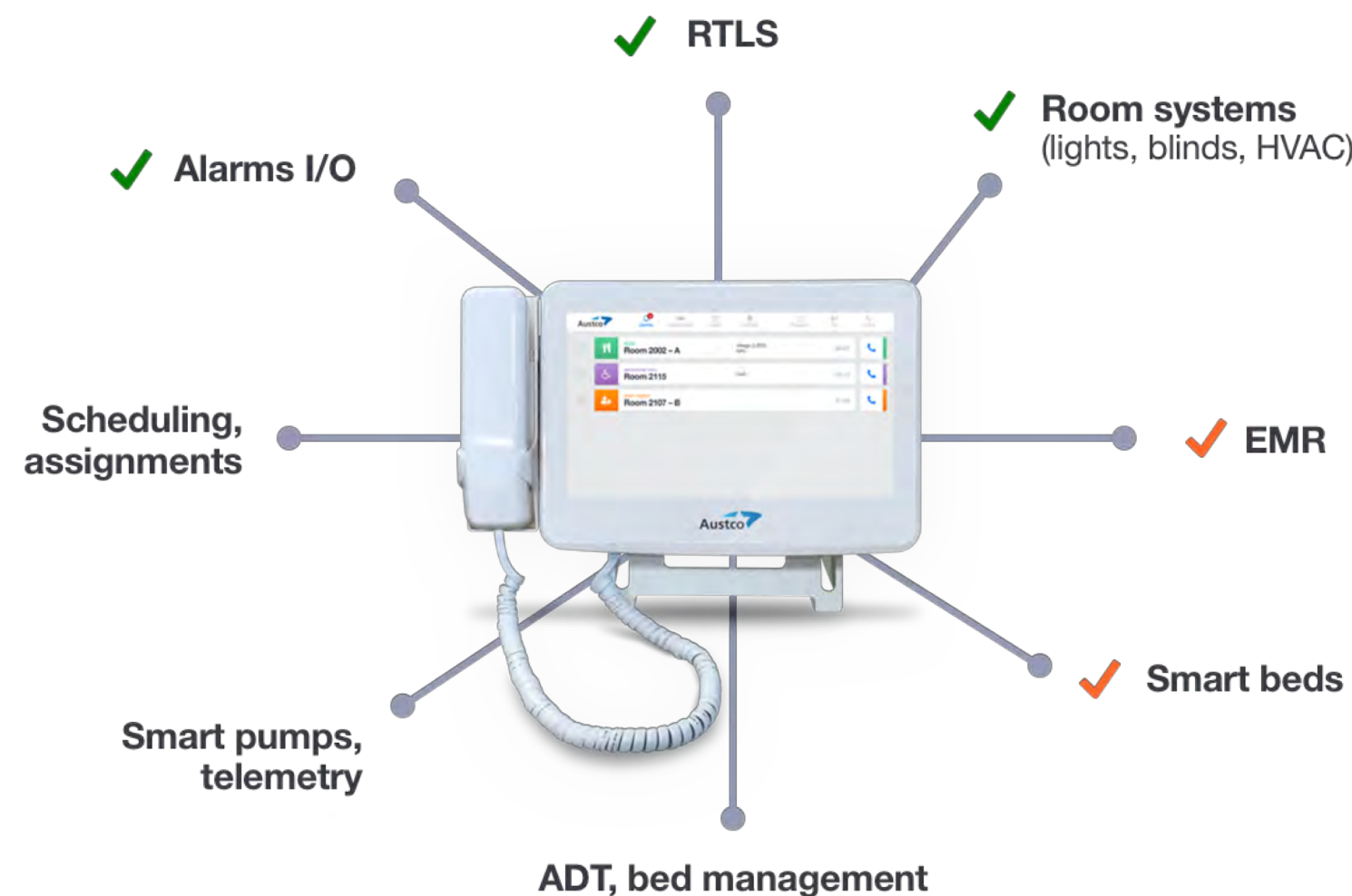
R&D UPDATE

FY18 R&D spend of \$3.4 million is a 9.7% increase over 2017 with \$0.74 million development cost from 2H18 capitalised to reflect development of IP



Pulse Mobile

- One of our most popular software products
- Released in FY18
- Native smart phone app
- Alarm management with further features under development



Web Services

- Open API for alarms
- RTLS complete
- Additional integrations are a longer term goal



Enhanced Reporting and Analytics

- True enterprise reporting
- Added functionality, expanded capabilities

Azure has a strong commitment to ongoing R&D for both hardware and software, with a disciplined quarterly release program.

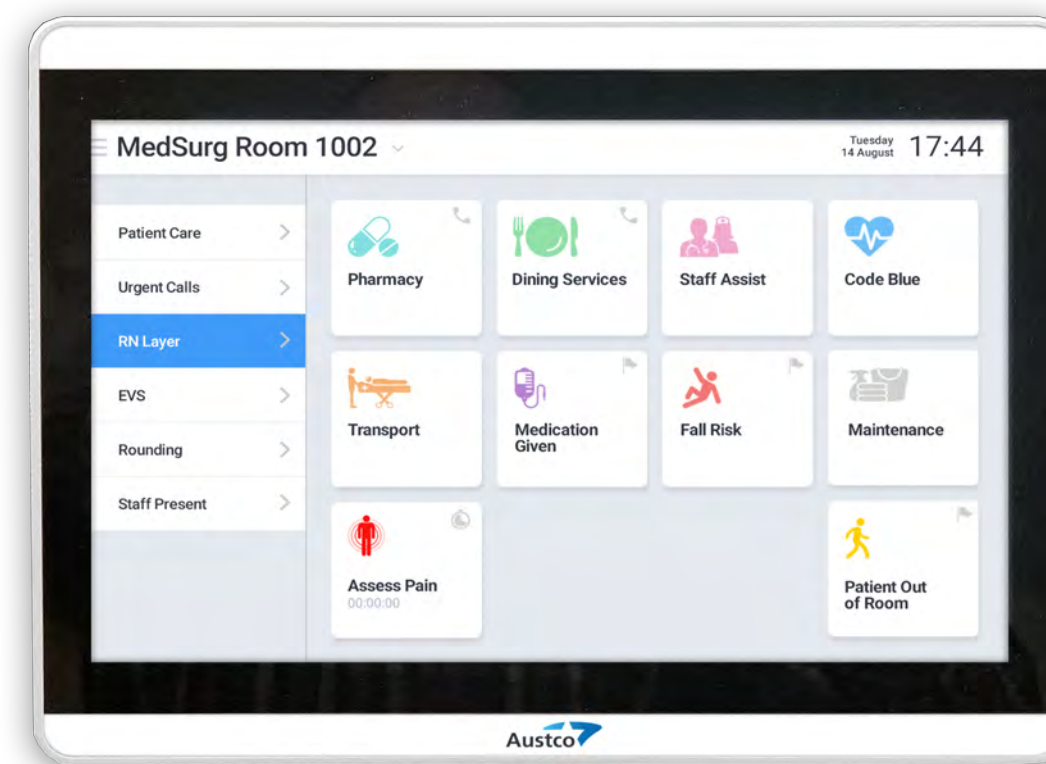
R&D UPDATE – NEW PRODUCTS

FY18 R&D spend of \$3.4 million is a 9.7% increase over 2017 with \$0.74 million development cost from 2H18 capitalised to reflect development of IP



Smart Watch Apps

- Hands-free care
- Ideal notification devices
- Focused on alarm management
- Set and view reminders



Staff Terminal

- Surface mount
- Custom profiles
- All new interface
- 8 layers of workflow buttons - activate alarms, set statuses, speed-dial VOIP calls, push data into health record and start rounding timers

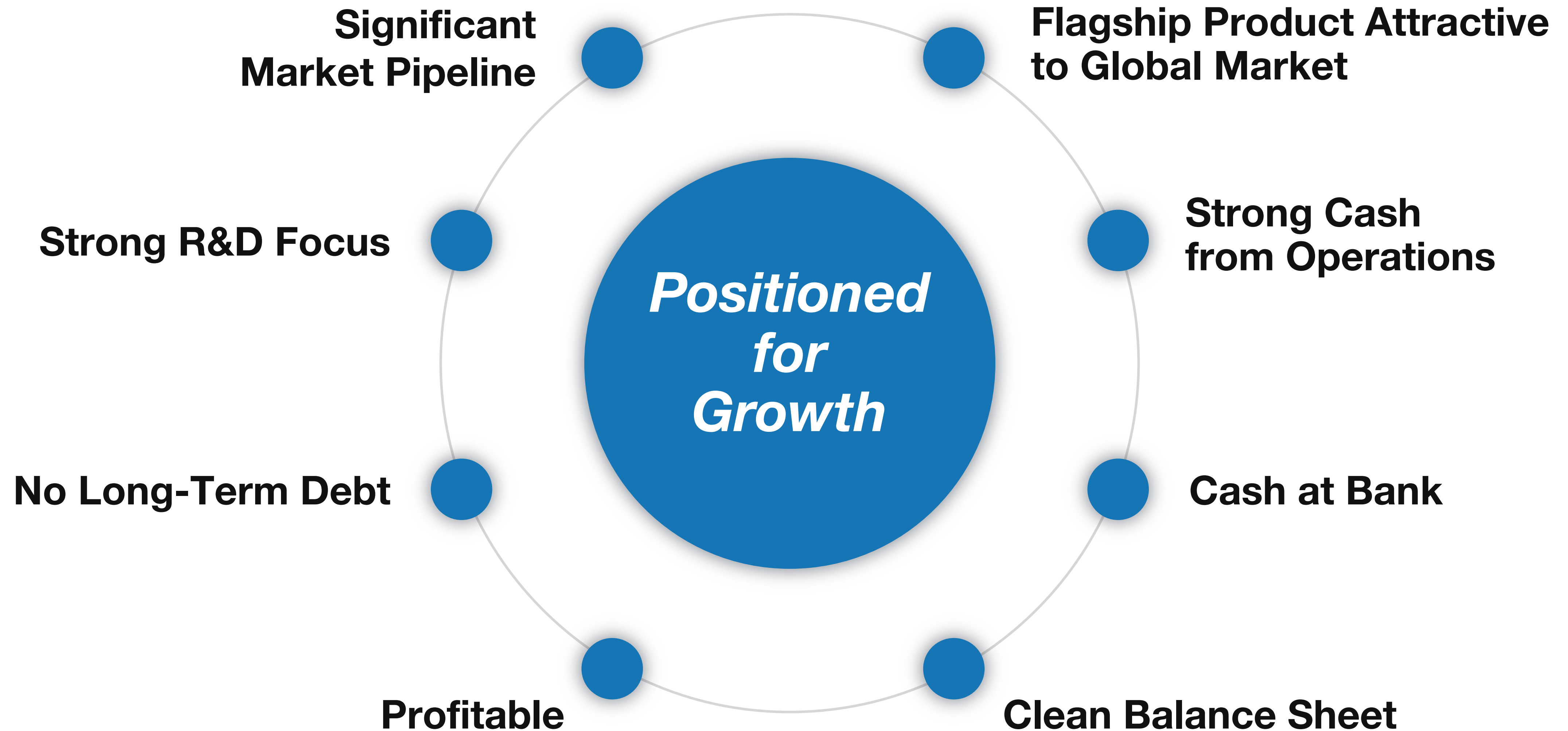


Next Generation Call Points

- Smart technology to manage tasks depending on carer present
- Built in RTLS
- Programmable, multi-function
- Water resistant

 **Azure has a strong commitment to ongoing R&D for both hardware and software, with a disciplined quarterly release program.**

WRAP UP





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QUESTIONS?

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APPENDICES



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BOARD & MANAGEMENT



Graeme Billings

Chairman

Graeme has been a Chartered Accountant since 1980, retiring from PwC in 2011 after 34 years.

He has extensive experience in providing assurance, transaction and consulting services to multinational and national clients across a variety of industries.

Graeme is also Chairman and NED of Korvest Ltd, NED of Clover Corporation Limited, GUD Holdings Ltd and DomaCom Ltd



Brett Burns

Non-Executive Director

Before becoming a founding Partner of law firm CBW Partners, Brett worked in a variety of roles within ASX Top 50 companies, government, national and international law firms.

He is a former General Counsel for Transurban Group, was a corporate lawyer with Baker & McKenzie and has held regulatory roles with ASIC.

He is also a Non-Executive Director of several private companies.



Anthony Glenning

Non-Executive Director

Tony is a CEO, Non-Executive Director and start-up founder with a 25-year career in the software development industry, 14 of those years living and working in Silicon Valley.

In 2007, he sold his start up, Tonic Systems to Google. Most recently, Mr Glenning was an Investment Director for Starfish Ventures. He is also a Non-Executive Director of ASX listed Pro Medicus (PME) and holds degrees in Electrical Engineering and Computer Science from The University of Melbourne and a Master of Science from Stanford University.



Clayton Astles

MD & CEO

Based in Texas, Clayton joined Azure in 2008 as Vice-President and then President of Austco's main operating subsidiary, Austco.

He helped build the group's reputation as a leader in the nurse call and clinical software solutions market in the USA and has been instrumental in the establishment of a Software Development Centre and manufacturing facility in Dallas.

He has over 12 years leadership experience in the healthcare technology industry and holds a diploma in Electronics Engineering.



Brendan Maher

CFO & Company Secretary

Brendan is a Chartered Accountant and experienced in the areas of raising capital, acquisitions and divestments, and new market entry in both listed and unlisted environments.

He was most recently CFO at Freestyle Technology and prior to that held finance roles at Adslot, Skilled Group, the Transport Accident Commission, National Westminster Bank and global accounting firm Andersen.

Brendan holds a Bachelor of Business (Accounting major) from Swinburne Institute of Technology and is a member of the AICD.

5 YEAR EARNINGS

A\$000	2014	2015*	2016	2017	2018	NOTES
Sales revenue	31,308	33,497	31,570	28,919	28,940	
Total revenue	31,319	34,962	32,028	29,191	28,948	
Gross profit	17,649	18,298	15,654	13,517	14,134	
Asset sale	-	-	-	460	-	CellGuard divestment
Overhead	(13,758)	(17,604)	(18,803)	(14,905)	(12,557)	
Includes: D&A	(486)	(494)	(639)	(521)	(264)	Amortisation reduced after w/off
Interest	(89)	(80)	(87)	(108)	(59)	
Write down	-	-	-	(2,749)	-	Goodwill write off
EBIT	3,405	200	(3,788)	(4,198)	1,313	
NPBT	3,316	120	(3,875)	(4,306)	1,254	
NPAT	3,865	1,093	(3,651)	(6,417)	1,194	DTAs: 2017 write-off of \$2.08m, \$0.5M & \$0.96M created in '14 & '15 respectively

* As per 2016 restatement

5 YEAR BALANCE SHEET & CASH FLOW

A\$000	2014	2015*	2016	2017	2018	NOTES
Current assets	15,884	17,002	16,127	16,735	15,491	
Non-current assets	5,414	5,967	5,858	617	1,323	
Total assets	21,298	22,969	21,983	17,375	16,814	
Current liabilities	6,569	7,320	9,733	9,047	7,195	
Non-current liabilities	355	112	80	42	37	
Total liabilities	6,924	7,432	9,813	9,089	7,232	
Net assets	14,374	15,537	12,170	8,263	9,582	
Cash from operations	577	1,870	(2,212)	(2,552)	2,031	
Cash from investing	(684)	(370)	(183)	572	(880)	2017: CellGuard proceeds
Cash from financing	(402)	80	688	2,064	(495)	2017: \$3m rights issue
Net cash flow	(509)	1,580	(1,707)	84	656	

* As per 2016 restatement