

## **CHAIRMAN'S ADDRESS**

### **ANNUAL GENERAL MEETING 24 NOVEMBER 2020**

#### **Introduction**

Good morning everyone and thank you for joining us today. I'm Graeme Billings, the Chairman of Azure Healthcare, and I'd like to welcome you all to the 2020 Annual General Meeting.

Given we have a quorum, I now declare the meeting open. I'd like to begin by introducing my fellow board members:

- Mr. Clayton Astles, Executive Director and the Company's Chief Executive Officer
- Independent Non-Executive Director Mr. Brett Burns, who is also Chair of the Company's Remuneration Committee
- Independent Non-Executive Director Mr. Tony Glenning, and
- Mr. Brendan Maher, Company Secretary and Chief Financial Officer.

I would also like to welcome Ms. Joanne Lonergan, a Partner of our auditing firm, Ernst & Young.

The year to June 2020 was a challenging and unique year for Azure Healthcare, as it has been for a lot of companies, not the least of which were the challenges presented by COVID-19. I want to thank the Azure Healthcare team for their dedication and ability to adapt during these difficult times. The agility shown by our team during the second half of the financial year was key to ensuring a successful close out to the year.

Whilst challenges remain from COVID-19 within our business, especially in the UK and Asia, we have started to see increased business activity over the past few months as certain markets adapt to COVID normal ways of doing business. Of course, as second waves of COVID have shown, things can change quickly.

#### **Financial Performance**

Despite a number of challenges throughout the year, the Company produced a 3.9% increase in total revenue over FY19 to \$33 million. This included \$1.4 million of grant income received from COVID-19 stimulus packages initiated by various governments.

In the first half of the year, we continued to work through our strategies to mitigate the impact of tariffs on goods imported into the USA from China as a result of increasing trade tensions. With revenue increasing by 12% in the first half, and gross margins also increasing from 46% last financial year to 51%, the results of our efforts started to become evident.

In the second half of the year, we faced the impact of COVID-19, which limited our ability to access hospital and aged care sites to install our equipment; this led to a decrease in revenue of 12% in the second half. As a result, revenue from customers over the year was marginally down at \$31.6 million compared to the prior year's \$31.7million.

Cash on hand was \$6.4 million as at 30 June 2020, up \$4.5 million from June 2019. The significant improvement in the cash position was driven by the capital raising of \$3.5 million undertaken during the year, in addition to \$3.3 million of cash being generated from operating activities during the year. The successful adoption of drop shipment direct to customers' sites has driven a reduction in inventory holdings by \$1.7 million, down to \$5.2 million, which has released this cash for other initiatives.

The Company also repaid all debt facilities during the year.

### **First-in-Class Products**

As we continue to transition from a hardware company into a hardware and software company, our focus is on growing our high margin software and maintenance revenues. Over the year, we achieved a 40% increase in these revenues to \$4.9 million. Software and maintenance revenues improved gross margins from 51% in the first half to 53% in the second half. Despite the first half tariff-related challenges and the second half COVID-19 challenges, we were able to deliver a statutory net profit after tax of \$2.5 million, which was a 293% increase over last year's \$0.6 million profit.

We have continued to focus on R&D with a further \$3.7 million invested last year and a similar amount budgeted for this year. This R&D investment allows our flagship Tacera product suite to retain its market leading position. Further, with the recent release of Real Time Locating System functionality in our solution, we expect to maintain that market position.

The Company has also continued to focus on enhancing its market leading software suite with advanced clinical workflow, task management and business intelligence solutions.

### **Strategy**

The well documented pandemic continues to impact the business in all regions. These impacts were recognised quickly by the Company and while efforts were made to cut costs and conserve cash, action was also taken to divert product to regions with fewer restrictions limiting access to hospitals and healthcare facilities.

High margin software and SMA revenues form a key part of our strategic growth over the next few years. Further investment into our R&D roadmap will see this revenue stream continue to grow as a proportion of total revenues, and the corresponding impact this has on gross margins will give rise to a more profitable company.

Over the last year, we have made efforts to streamline production and reduce supply chain costs, which have begun to deliver the intended benefits and gross margin improvement. Additionally, margins increased as the Company worked through the issues arising from the Trump administration's imposing of tariffs on a portion of our supply chain, our successful access to the resulting drawback program, and most importantly, by the continued increase of high margin software and SMA revenues.

The Company has also increased the use of non-cash remuneration for key staff via its Employee Share Option Plan. The increased use of this Option Plan aligns the interests of our core management group with shareholder's interests and will benefit key management retention.

## **Outlook**

We believe the Company is extremely well placed to benefit from the ongoing market growth due to its broad coverage across multiple regions and its market leading products.

This will further increase the global demand for nurse call systems that can deliver more efficient and reliable workflow processes. We believe that Azure Healthcare will benefit from this growth in the industry in years to come.

Additionally, whilst COVID-19 has introduced new challenges for the business, it has also presented the opportunity to re- enforce the infection control features of our products, which include antibacterial silicon buttons, dip-sterilizable features and spray-and-wipe maintenance and cleaning.

Moreover, the Company believes the long-term investment into the global nurse call and workflow solutions market will accelerate further as governments and health care operators across the globe increase their investment in infrastructure required to manage the COVID-19 threat and future pandemics to come.

Whilst COVID restrictions remain in some markets, and in an environment where those restrictions can change very quickly, it is difficult to forecast our financial performance for the first half of FY21. However, based on trading to date and the current suite of restrictions in place within all of our markets, we do believe that we will deliver a profitable first half of FY21.

## **Conclusion**

The health and safety of our employees and their families is our highest priority. To this end, we have implemented numerous precautions and protective measures including restricting travel and face-to-face meetings, implementing a global work from home policy, and modifying workspaces to adhere to social distancing guidelines.

I would like to sincerely thank the Azure Healthcare team for their dedication during these most challenging times.