

# AGM 2017, Chairman's Report

ASX:VHT



Roger Allen AM  
*Chairman*



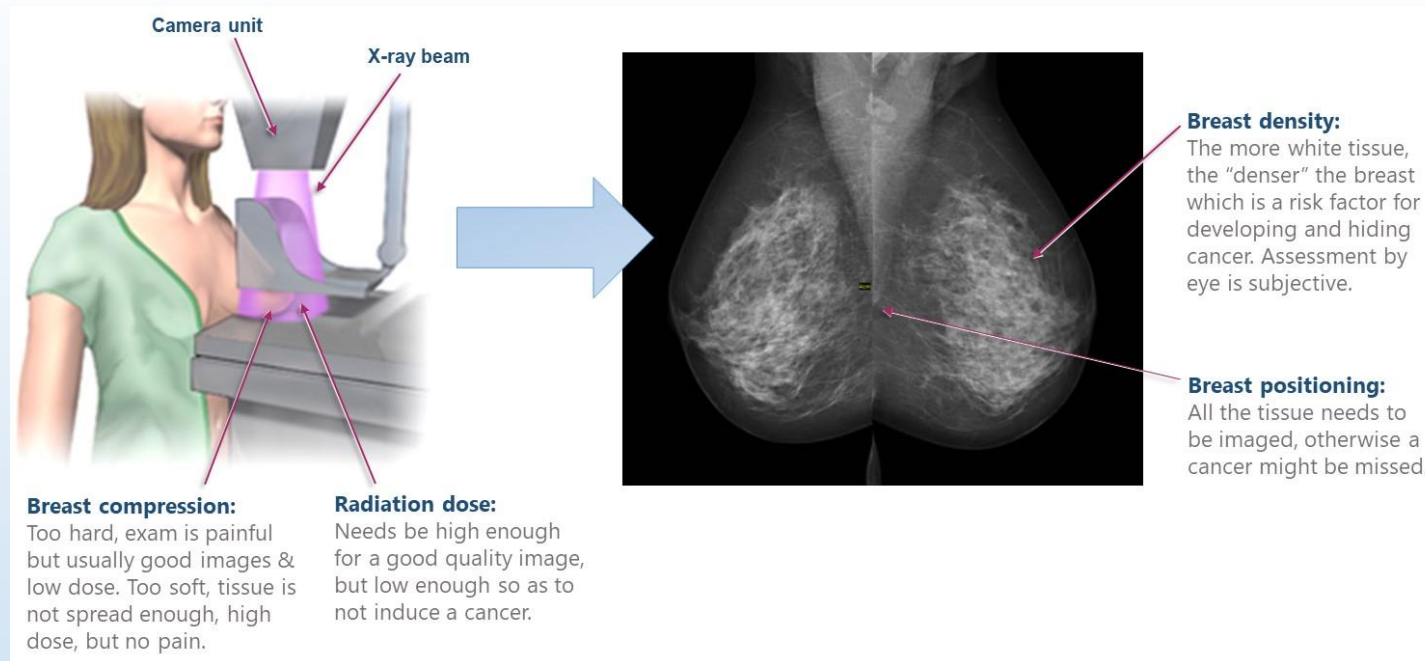
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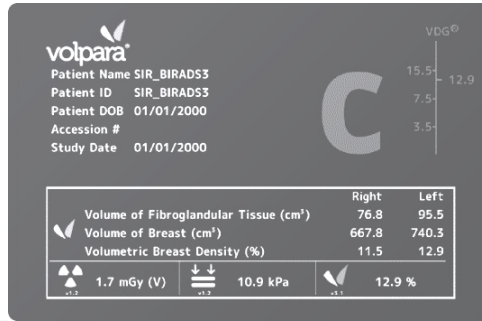
# The mission remains the same

To reduce the mortality and cost of breast cancer by providing clinically validated software that underpins personalised, high-quality breast cancer screening.



**Volpara is unique in measuring and reporting on all these metrics for all major x-ray vendors.**

# Highlights of a very significant year – product expansion, cloud, SaaS



- Expanded the product range to cover all aspects of screening with the unique VolparaEnterprise product.
- Moved to the cloud, with strong support from Microsoft.
- Moved from a capital sale to Software as a Service (SaaS) model, helping transform the company.
- All these changes have been well received in the market place and have led to strong sales growth and new customer acquisition.





# Highlights of a very significant year – strong, stable & motivated sales team



- Team established and gaining sales momentum
- Capital-to-SaaS strategy is developing and the pipeline is growing
- Partners remain useful for lead generation



**Anton Zerle**  
VP S&M, APAC



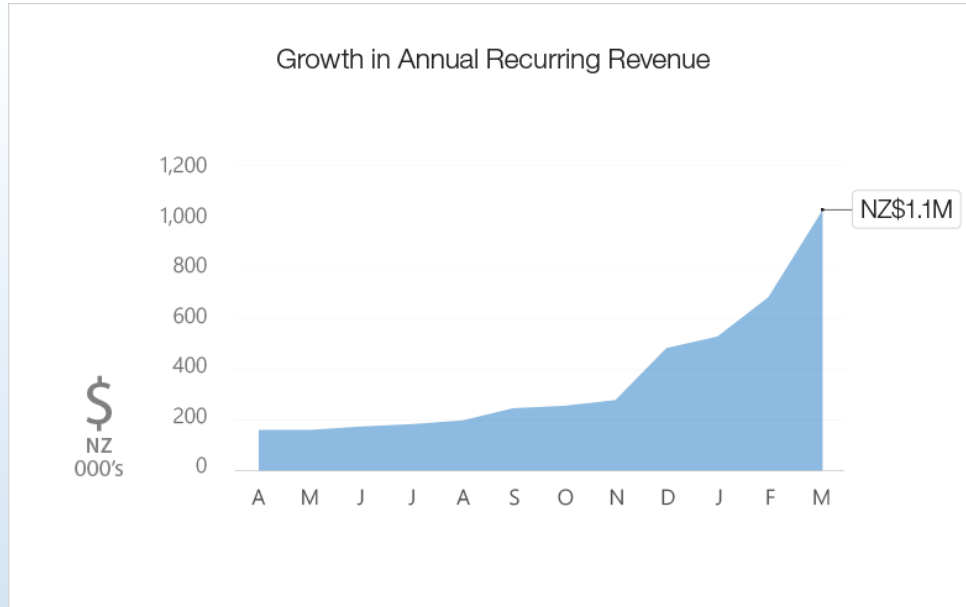
**David Lee**  
VP S&M, EMEA



## Highlights of a very significant year – commercial traction

- ~**600%** annual recurring revenues (ARR) growth to NZ\$1.1m
- **45%** increase in Total Contract Value (TCV) signed to NZ\$4.1m
- Capturing ~1% of women screened in US each year

And, of course, Q1 FY2018 has started strongly, on track to meet our target of at least 200% growth in ARR.



Board and Management have worked hard over the last year, external drivers for uptake remain strong, giving us confidence that this growth trajectory will continue throughout FY18 and beyond, helping drive ever-**increasing shareholder value**.

## Achievements in FY2017 – Annual Recurring Revenue (ARR) growth

Annual Recurring Revenue end FY17

**NZ\$1.1m**

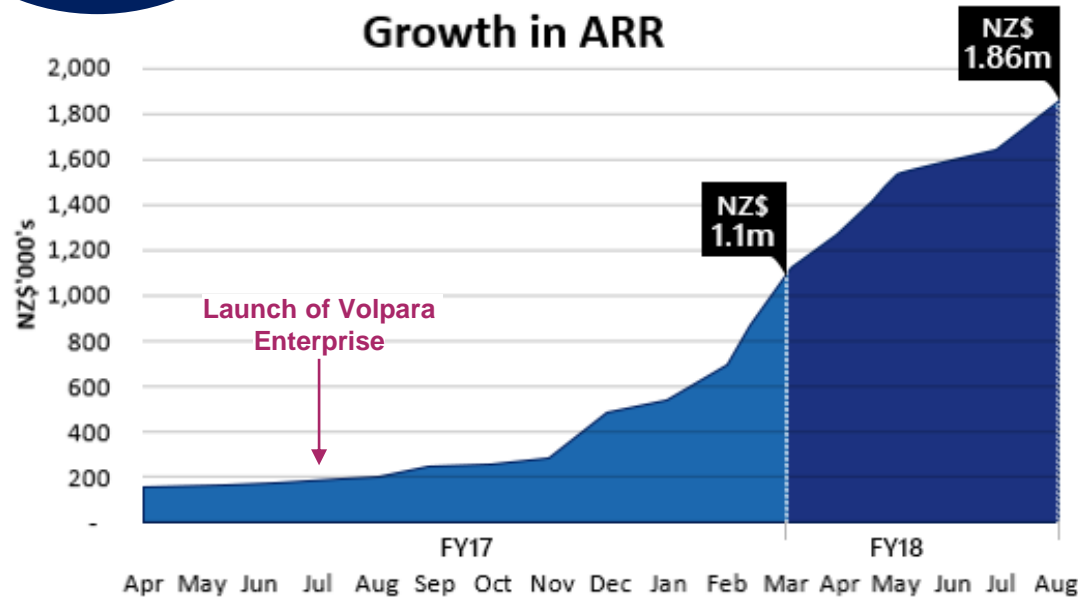
Up 586% from end FY16

Annual Recurring Revenue to mid-Q2 FY18

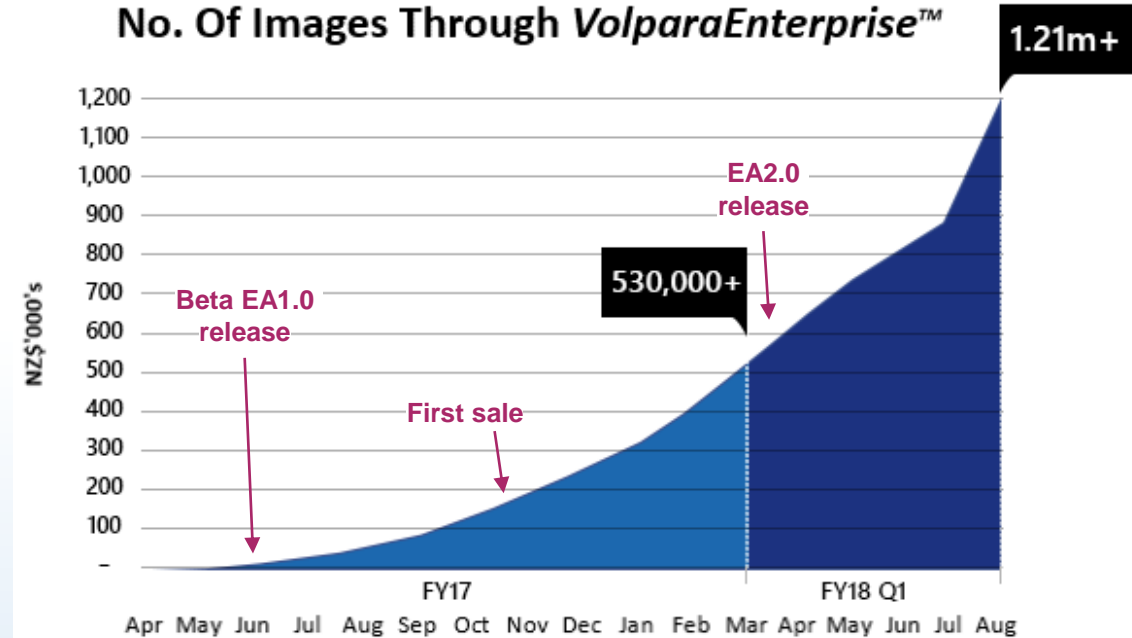
**NZ\$1.86m**

Up 69% from end FY17

### Growth in ARR



### No. Of Images Through VolparaEnterprise™



Approximately **1.5%+** of the US women being screened were going through Volpara at end June 2017—this is “big data” we can use for product development.

# AGM 2017, CEO's Report

ASX:VHT



Ralph Highnam, PhD (Oxford)  
*Chief Executive Officer*





# We're helping early detection on a global basis daily

Science & Environment

## Maryam Mirzakhani, first woman to win maths' Fields Medal, dies

15 July 2017 | Science & Environment

f t b e Share



COURTESY OF MARYAM MIRZAKHANI

Prof Mirzakhani's recognition inspires female mathematicians

ive the prestigious Fields Medal

University, had breast cancer



Singer Olivia Newton-John diagnosed with breast cancer again, postpones tour

Destounis2017\_NY\_density\_mandate\_screening\_sonography

Print

ORIGINAL RESEARCH

## New York State Breast Density Mandate

Follow-up Data With Screening Sonography

Stamatia Destounis, MD, Andrea Arieno, BS, Renee Morgan, RT

**Objectives**—To evaluate the impact on breast cancer detection from screening breast sonography performed in women with mammographically dense breasts.

**Methods**—This study used a retrospective chart review. Data collected included total number of screening mammograms, total number of dense breast screening sonograms, total number of procedures performed, biopsy results, and demographic data. Data were obtained from January 1, 2013, through August 31, 2015. During this period, there were a total of 195,982 screening mammographic examinations performed at our facility. Of these, 83,234 patients (42.5%) were informed that their breast tissue was heterogeneously dense or extremely dense. We specifically reviewed cases to identify those with findings on sonography only. The positive predictive value, biopsy rate, and cancer detection rate were determined.

**Results**—During the study period, 5434 screening sonographic examinations were performed in 4898 women with heterogeneously dense or extremely dense breasts. Most (95.7%) of the sonographic examinations resulted in an American College of Radiology Breast Imaging Reporting and Data System (BI-RADS) category 1 or 2 designation. A total of 101 lesions were given a BI-RADS 3 designation; 134 suspicious findings were given a BI-RADS 4 or 5 designation; and 100 of these were seen on sonography only, all of which underwent tissue sampling, resulting in the diagnosis of 18 malignancies; all were invasive. In evaluating screening sonographic findings, we found a positive predictive value of 18.0%, with an overall biopsy rate of

**volpara**<sup>®</sup>  
healthtechnologies

From 2013–2015, 195,982 screening mammograms were performed, and 82,324 (42.5%) of these patients had dense breasts (determined by a radiologist using VolparaDensity). 5,434 screening US exams were subsequently performed in 4,898 women.

There were 134 suspicious findings (BI-RADS 4 or 5). 100 of these were found on US only, and **18 of these were found to be malignant.**

We are helping

## The team – Board provides broad base of knowledge



**Roger Allen AM**

*Chairman*

- Joined the Board in 2010, appointed Chairman in Oct 2015
- Built CPG, co-founded Allen & Buckeridge (VC fund)
- Served on 2 PMs' Science & Tech Councils, Advisory Boards



**Lyn Swinburne AM**

*Non-Executive Director*

- Joined the Board in 2015
- Founder of Breast Cancer Network Australia
- Chair of the Board of Royal Women's Hospital in Melbourne



**Prof Sir Mike Brady**

*Non-Executive Director*

- Founding Director of VHT and Perspectum Diagnostics
- Author of over 750 articles and 26 patents
- Current professor of Oncological Imaging at Oxford



**John Pavlidis**

*Non-Executive Director*

- Joined the Board in 2015
- Over 25 years' medical device experience
- CEO of VytronUS, former president and CEO of R2 Technology



**John Diddams**

*Non-Executive Director*

- Principal of Australia CPA firm providing corporate advisory service
- Currently NED of Skydive and House with No Steps
- 25 years' experience raising capital, performing due diligence, IPOs

**Also, thank you to Brian Leighs, and welcome to:**



**Craig Hadfield**

*Chief Financial Officer*

- Appointed full-time CFO, 1<sup>st</sup> March 2017
- Over 8 years' experience in senior and managerial auditing roles around the world

# The team - innovating and transforming

## Innovation is key to future growth



Dave Murray moved from Chief Technology Officer to Chief Technology Evangelist to ensure we build a very strong relationship with Microsoft, keep abreast of key technology advances, and perform fast prototyping to ensure product flow and innovation.



Richard Hudson now leads Engineering, but also Service Delivery, with a remit to ensure high-quality products that are up 24x7. Richard has many years of experience with cloud, SaaS, and customer-focused engineering.

## Software as a Service – the customer is king



Customer Success Team is up and running under the very capable Kathy Willison, previously at Hologic, in Rochester, New York. Low churn is a key imperative for us. Kathy reports to Chief Marketing Officer Julian Marshall.



# CallaghanInnovation

NZ Science & Innovation Minister reiterating his support for innovation.



# The team – “recommended for ISO27001 certification” (9<sup>th</sup> Aug 2017)

## Information security critical



Microsoft's Chief Information Security Officer, Hector Rodriguez, "Cyber Security in Health 2017", talking about Volpara as a case study in moving to the cloud.



## ISO27001 Audit, August 2017 BSI (British Standards Institute)

Will help us keep our customers data safe.

Will speed up the process of getting IT approval to install and therefore revenues to start flowing, by assuring customers of security of their data.



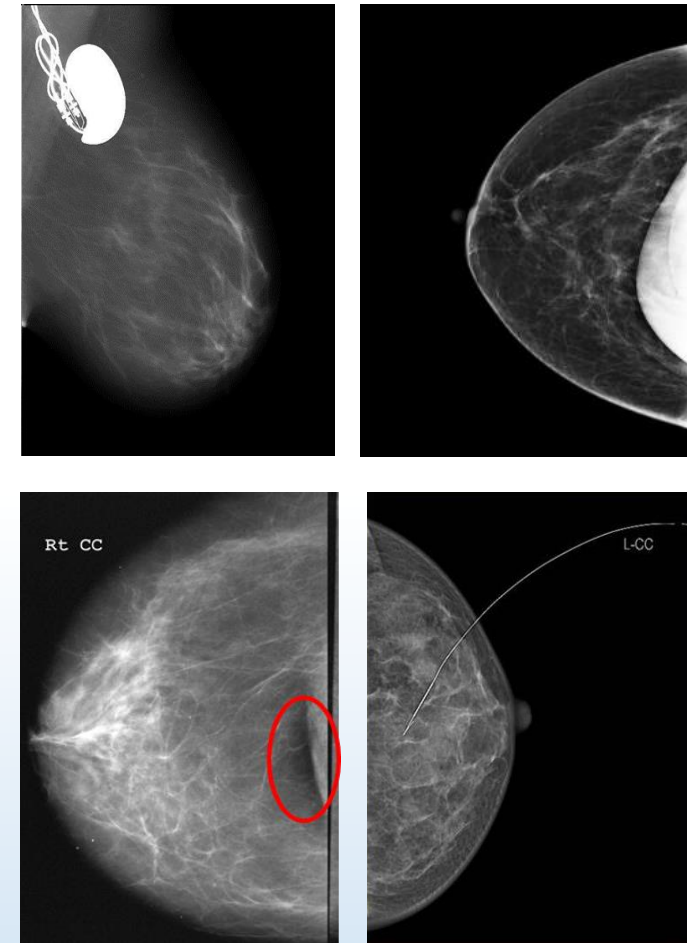
## The team – continuing to expand and go deeper with IP portfolio

The Volpara intellectual property portfolio currently includes the following:

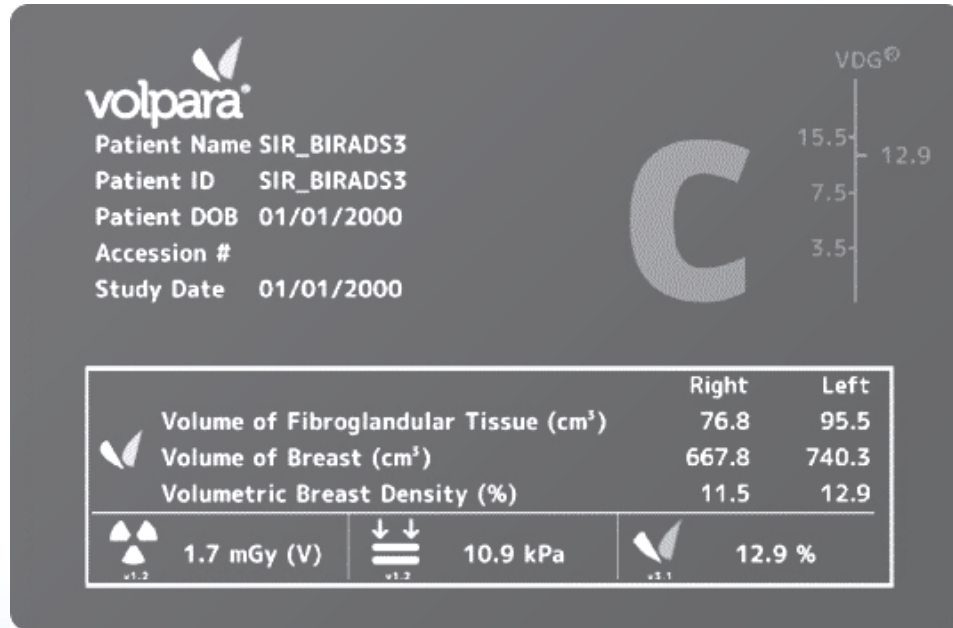
- Granted patents in 17 countries
- Patent applications in 166 countries
- Registered trademarks in 38 countries and 1 new international trademark pending
- Unregistered trademarks
- Copyright works (including software, graphical and text)
- Trade secrets (which protect the key part of the code)

VHT continues to file and protect ongoing innovation and new product development.

In the last 12 months we have filed 6 new patent applications - including 2 international applications - protecting 'Enterprise', encompassing multi-vendor features and opening new areas of innovation



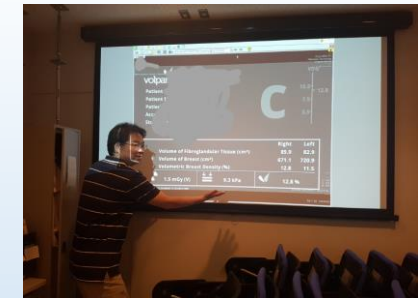
# Breast density remains important – global leadership



244 publications, 84 peer-reviewed, including excellent recent paper from South Korea. We are matching expert radiologists from Stanford to South Korea. **Volpara remains by far the most clinically validated solution on the market.**



Dr Chris Tromans at Dundee, UK



Dr Sawada, Showa University, Japan

## Breast density remains important – global leadership



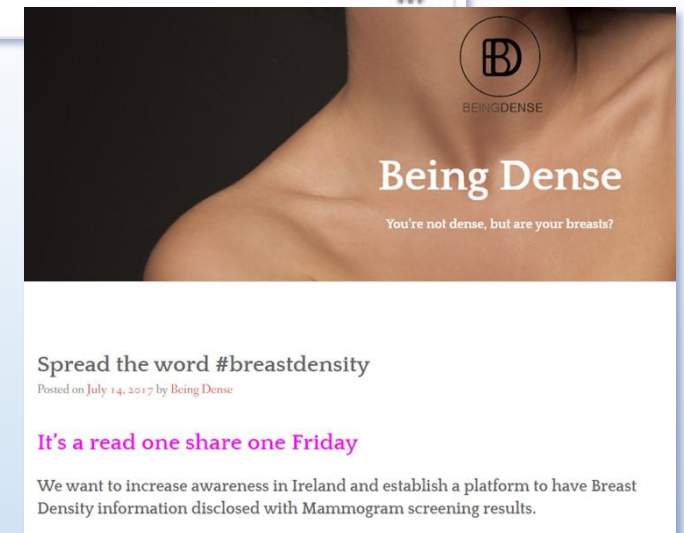
### University California, San Francisco (UCSF) Biannual Breast Density Conference June 2017

- ~165 global participants
- 15 Volpara presentations
- Biggest competitor was academic with only 2 presentations



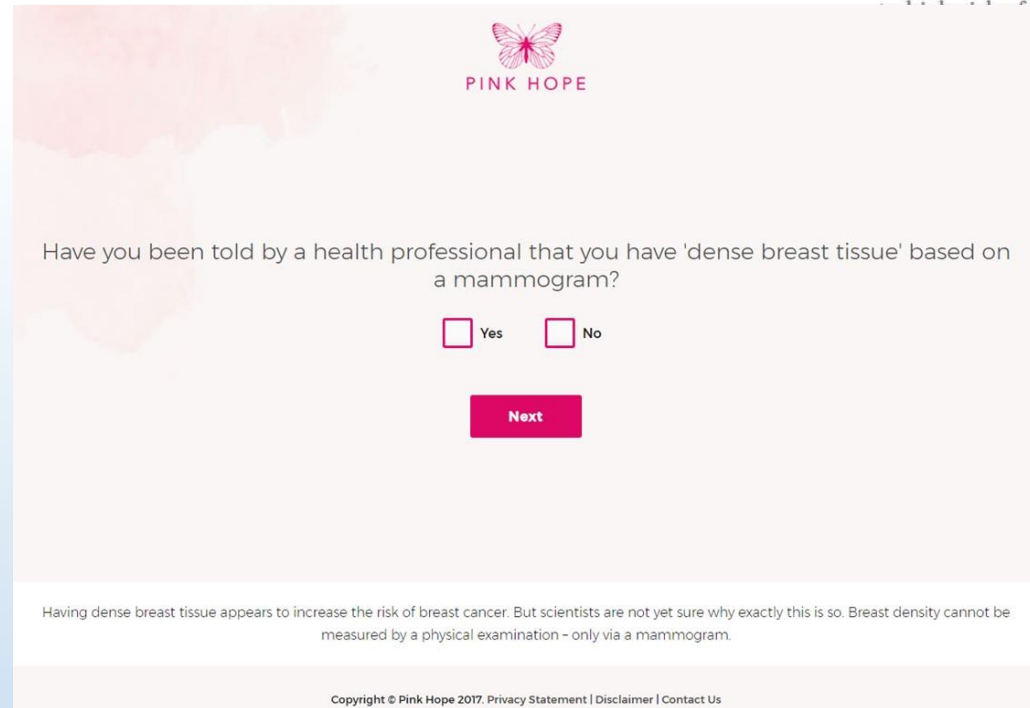
# Breast density remains important – women are starting to demand

US has 32 states mandating reporting of breast density





# Breast density in Australia



## Women's Weekly Pink Hope and The Australian Women's Weekly launch 'Know Your Risk' campaign

Out of the 660,000 Australian women who're at moderate risk of breast and ovarian cancer, almost two thirds don't even know it.

AUG 07, 2017 12:00AM BY [SHEREE MUTTON](#)



# Breast density – evidence continues to build on visual subjectivity

Damases2017\_Inter-country\_visual\_BD\_classification

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## Inter country analysis of breast density classification using visual grading

### Original research

Christine N. Damases, MTech Radiography, PhD<sup>a,b</sup>, Peter Hogg, MPhil, BSc (Hons), PGC, DCR, DRI, Cert CI<sup>c</sup>, Mark F. McEntee, BSc (Hons) Radiography, PhD<sup>a</sup>

<sup>a</sup>Faculty of Health Sciences, The University of Sydney, Discipline of Medical Radiation Sciences and Brain and Mind Research Center, M205, Cumberland Campus, 75 East St, room M205, Lidcombe, Sydney, NSW 2141; Tel: +61 2 9351 9617/ +61 2 9114 4195(BMC); Fax: +61 2 9351; E-mail:

[mark.mcentee@sydney.edu.au](mailto:mark.mcentee@sydney.edu.au)

In the US, visual assessment of density continues to be our biggest competitor.

This recent University of Sydney paper showed that US and Australian radiologists agreed on density in just 30% of cases.

We remain leaders in breast density and continue to be positive about the commercial future as the evidence and protocols continue to build around it.



UK Project looking at implementation into NHS BSP **is funded, and we're waiting for a formal start date.**

# VolparaEnterprise – launched July 2016 on the cloud as SaaS



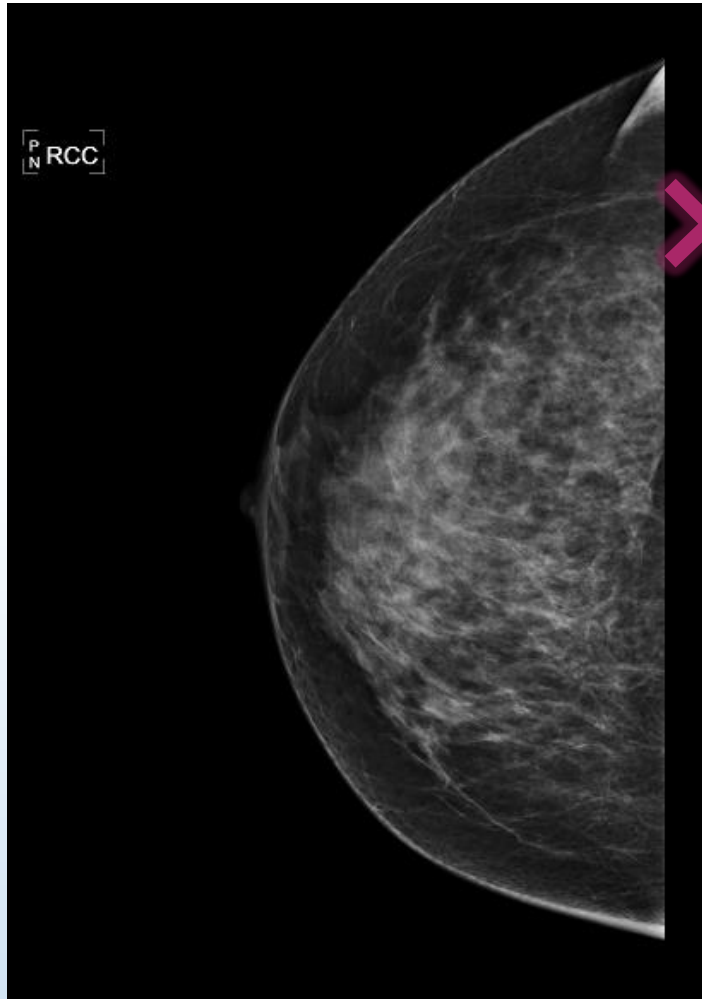
Our software provides services to breast imaging centres via the automated assessment of breast x-rays (mammograms) to raise the standard of care by **automating** and improving:

- Breast density & cancer risk assessment
- Image quality
- Safety of the x-ray (radiation dose)
- Comfort of the breast compression
- Productivity of the x-ray machines and users

These services can dramatically help reduce compliance costs and increase revenues.

## VolparaEnterprise – positioning can be critical

Cancer missed on this mammogram



PNL 67mm

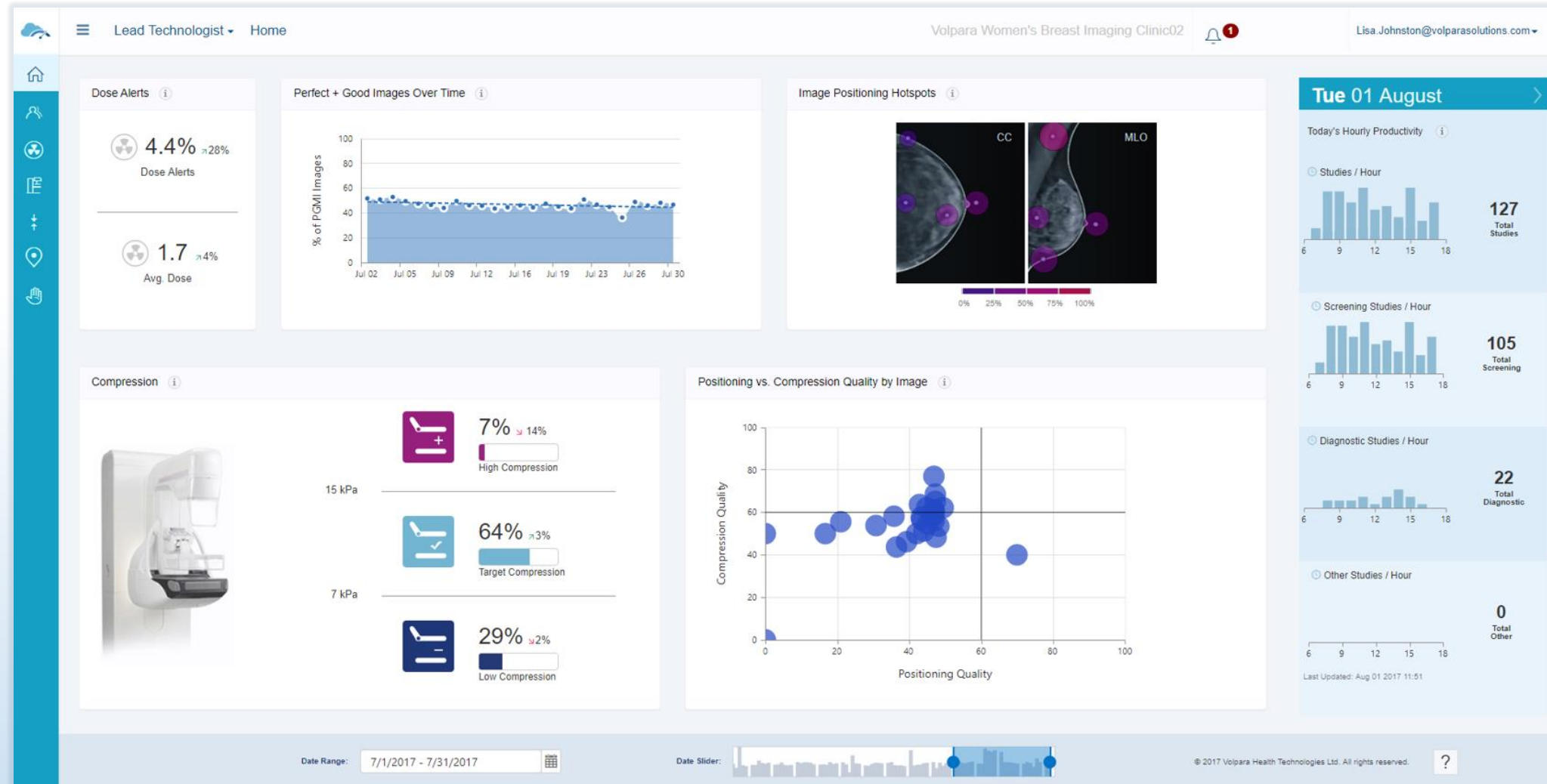


PNL 75mm

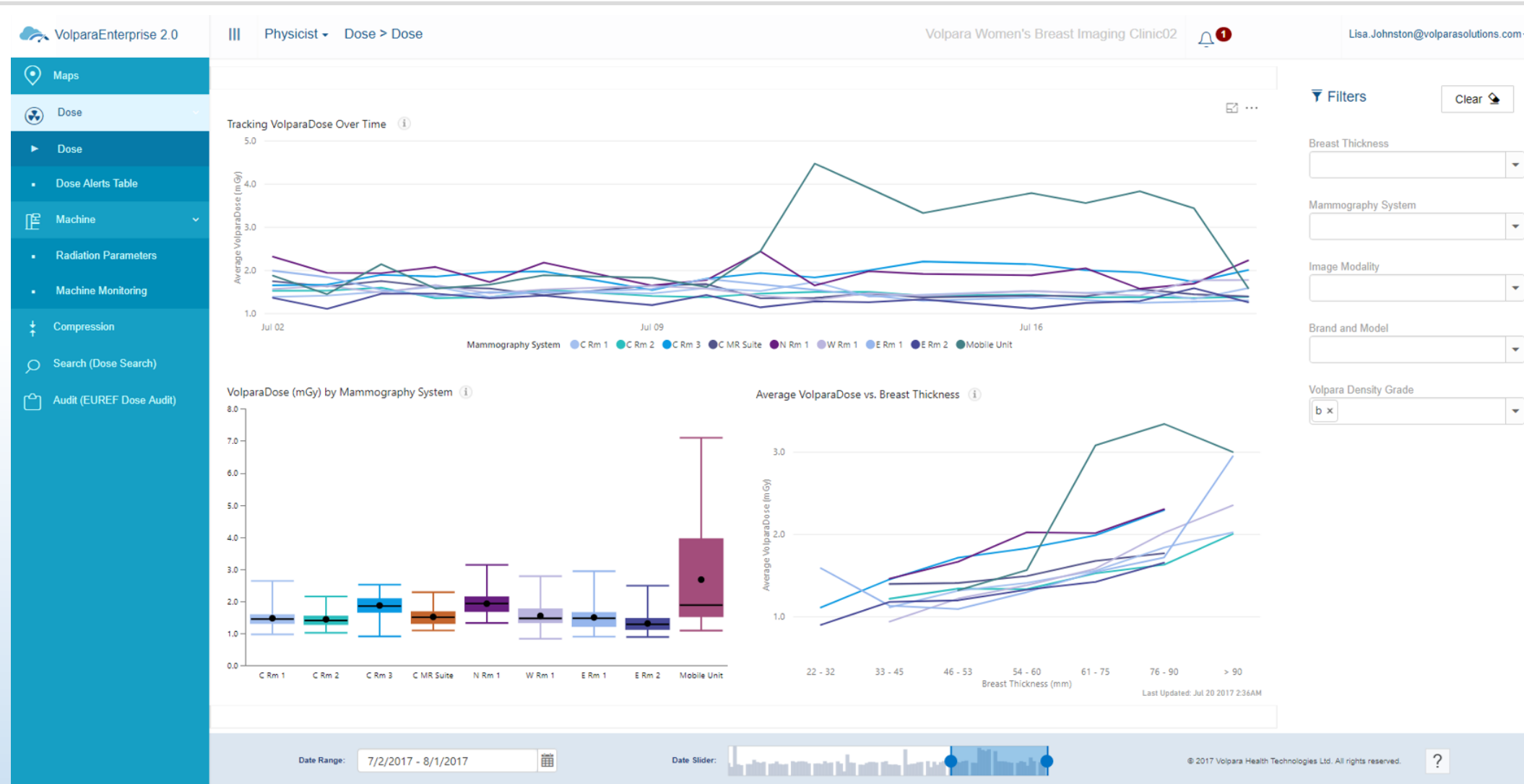
Cancer found on this mammogram, when chest wall much better imaged—by this point the cancer was felt by the woman.



# VolparaEnterprise – lead technologist view of entire staff and machines



# VolparaEnterprise – chief physicist view of radiation dose across machines



## VolparaEnterprise – status and lessons learned

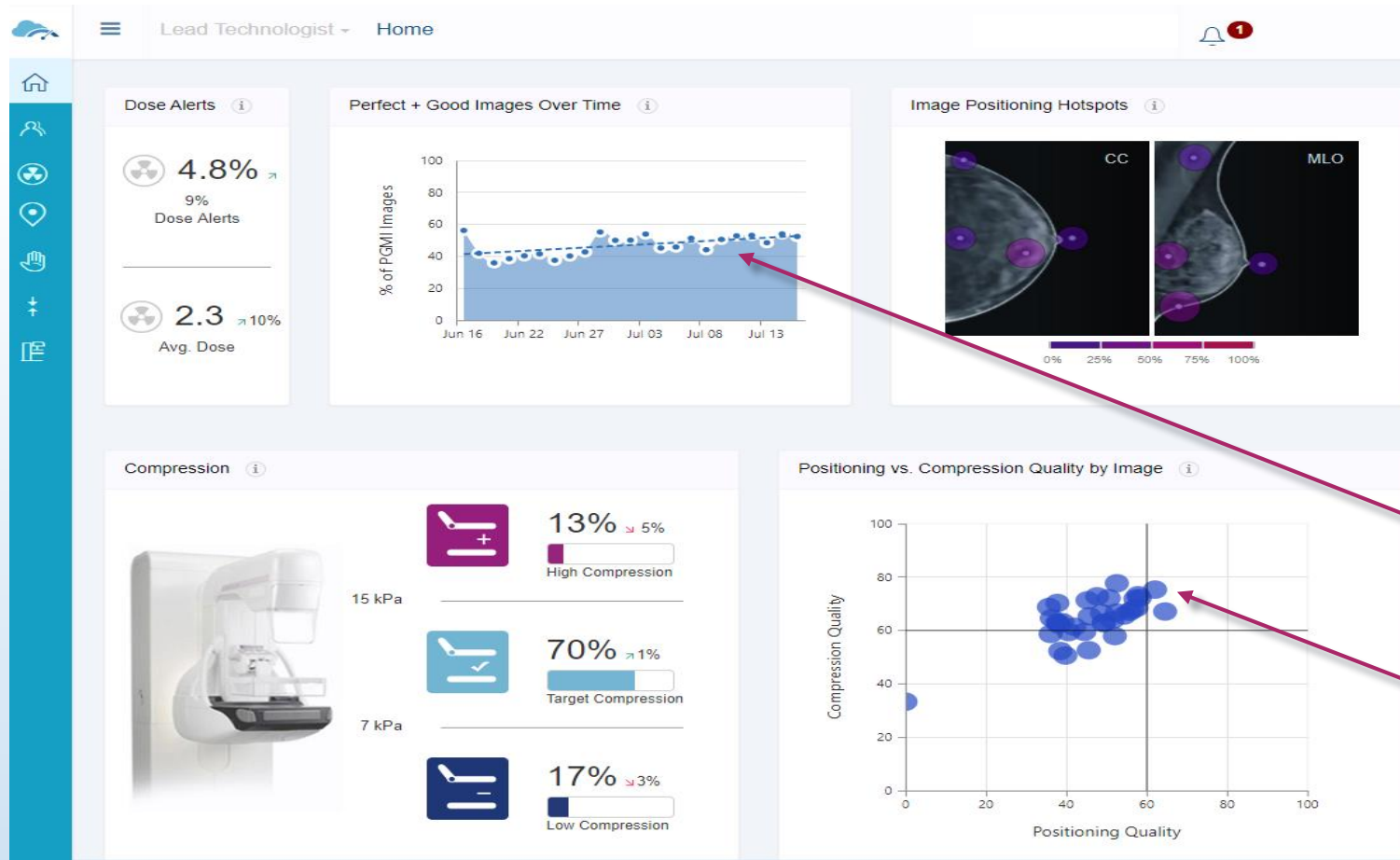
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- Enterprise is the number-one talking point in the US. It goes far beyond what visual assessments can do and shows actionable intelligence that no one has seen before.
- FDA EQUIP program continues to drive interest. From 1<sup>st</sup> Jan 2018 sites will be fined and/or closed down if no quality improvement systems are in place. Sponsored webinar drew 1,800+ views.

As of today, we have 21 Enterprise users on SaaS contracts. We've learned:

- Cloud is acceptable, but does slow deals; ISO27001 will help
- SaaS is acceptable, all parties see the benefits; we need to be ever more customer focused
- Product is working well; we have many ideas for expansion and continued value-add
- We need strong, positive referrals to continue strong sales momentum
- We have no competition, and a “Land & Expand” strategy, webinars, and social media are reducing cost of acquisitions and increasing interest, generating strong pipeline
- Average contract is US\$60K per year, significantly above density alone

# VolparaEnterprise – first user success stories



Multiple sites have now shown a significant improvement in quality of imaging over a 3-month period of having *VolparaEnterprise* installed.

In this case:

**A rise in “perfect or good” images by 25%**

**Much more consistency in the individual technologists**

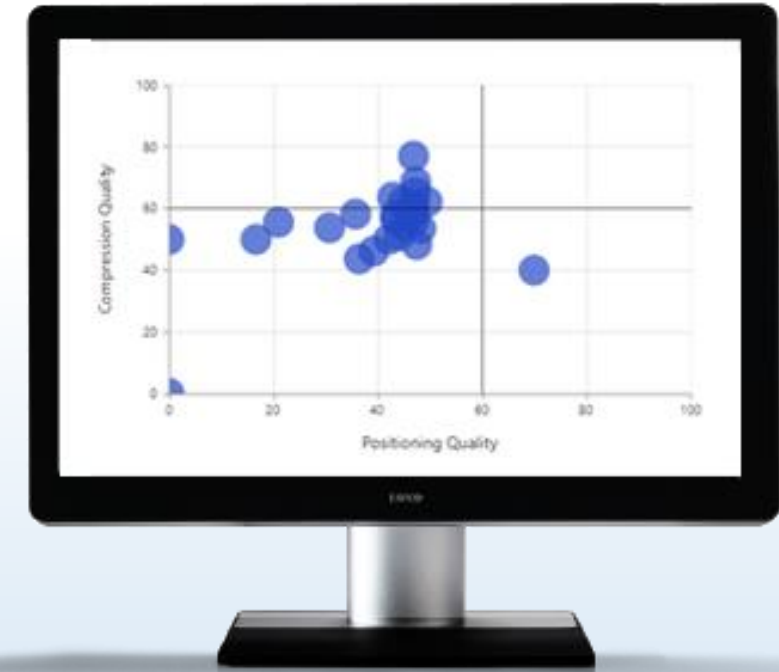


## VolparaEnterprise – additional added value components being built & tested

Cloud and pooling of data allows powerful benchmarking on quality, safety, population & productivity

Ranking	Customer	Average Tech Quality Score	Compression Quality
1	Site 1	2.1	71%
2	Your Site	2.0	69%
3	Site 3	2.0	66%
4	Site 4	2.0	59%
5	Site 5	1.9	57%
...	Global Avg	1.5	59%

Benchmarking and learning from our data with machine learning is going to be a major part of our value-add. **We have the clinical and physics understanding to fully exploit this.**



# Generating leads and brand awareness – global team



Japanese Association of Breast Cancer  
Screening in Fukuoka



Taiwan, Breast Cancer



GISMO, Italy, Breast Screening



Breast Imaging Group, A & NZ, Queenstown



Cambridge UK Breast Conference

## Generating leads and brand awareness – US team



SBI, Los Angeles, April 2017



AHRA, Las Vegas, June 2017

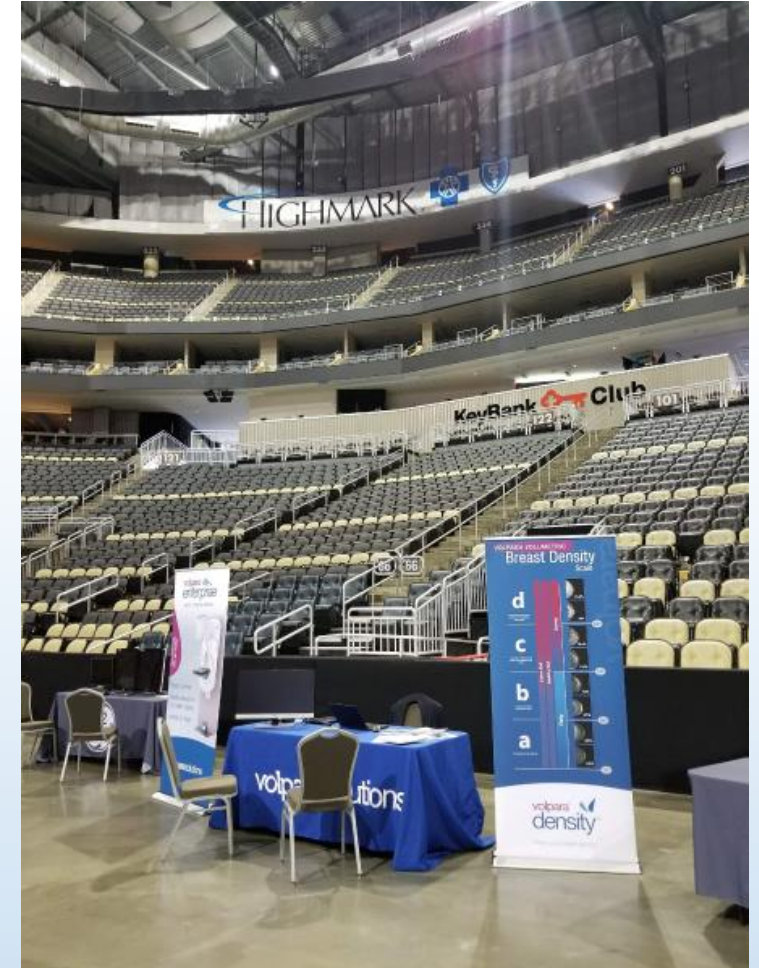


RSNA, Chicago, end Nov 2017



# Generating leads and brand awareness – GE “every woman” road tour

- 18 cities across US
- Growing, and strong relationship around customer introductions





# Anatomy of an Enterprise deal

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## Site Parameters:

- Annual Screening volume: 25,000
- Diagnostic Screening volume: 7,500
- 2 sites and a mobile van
- 6 gantries
- Utilize adjunctive imaging for dense breasts

## ROI-based Enterprise:

- Saves time through reduced retakes and recalls due to better image quality
- Reduces time for mandatory QA for FDA EQUIP and ACR accreditation
- Saves radiologist reading time with better image positioning and compression
- Increase revenues by identifying women with dense breasts or at high risk by moving them to approved adjunctive imaging
- Increases revenue by giving precise information about patients to better market to referring physicians
- Potential savings of \$25,000–\$50,000 per year
- Potential new revenue of \$60,000–\$90,000 per year
- Net benefit of \$85,000–\$140,000 per year

# Volpara Revenue from an Enterprise Deal

Example of how a typical 5-year deal works from an ARR, TCV and IFRS 15 (Revenue Recognition) perspective\*:

5-year deal signed on 1 April 2017 and fully installed and onboarded within that financial year (i.e., by 31 March 2018).

Year 1 = US\$70k

Years 2–5 = US\$60k per year

ARR = US\$62k

TCV = US\$310k

Cost of Goods (“COGS”) (e.g. Microsoft Azure, etc.) = US\$10k

Onboarding costs (included in COGS) = US\$2k

Commission (included in COGS) = US\$15k

	Year 1	Years 2 to 5
<b>Revenue</b>	70,000	60,000
<b>COGS</b>	(27,000)	(10,000)
<b>Gross Profit</b>	43,000	50,000
<b>Gross Margin</b>	61%	83%

\* Materially correct in terms of timing of revenue recognition. May differ slightly due to overtime vs. at-a-point-in-time deliverables.

## Achievements in FY2017 and FY18 YTD – Total Contract Value (TCV) growth

### TCV YTD FY18

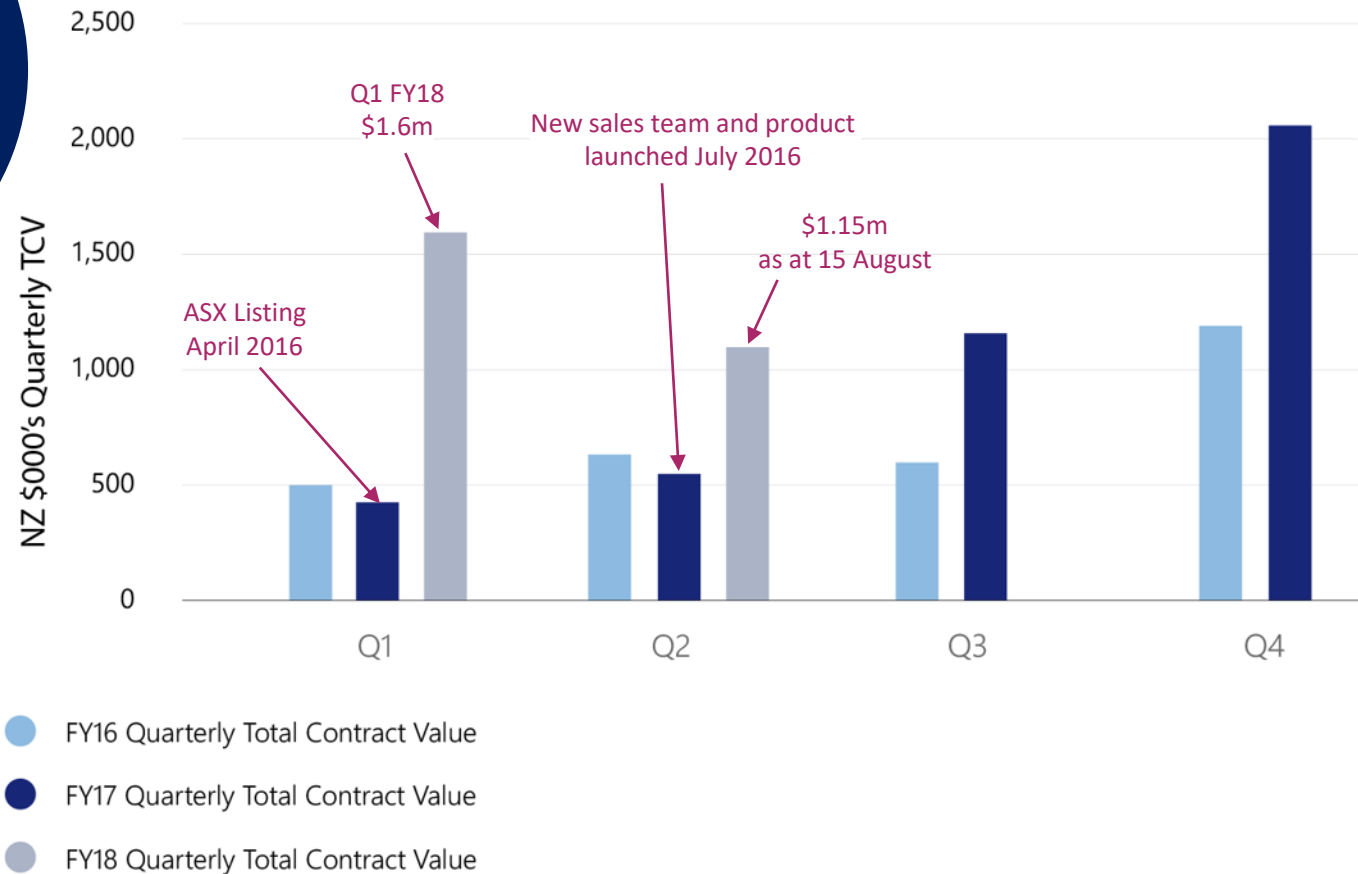
(SaaS, Service & Capital)  
signed in FY18

**NZ\$2.75m**

Up 112% from FY17 Q2 and  
up 194% YTD

(with 6 weeks remaining  
in FY18 Q2)

### Quarter over Quarter in TCV



Total Contract Value  
(SaaS, Service & Capital)  
signed in FY17

**NZ\$4.1m**

Up 45% from  
end FY16

## Achievements in FY2017 – Annual Recurring Revenue (ARR) growth

Annual Recurring Revenue end FY17

**NZ\$1.1m**

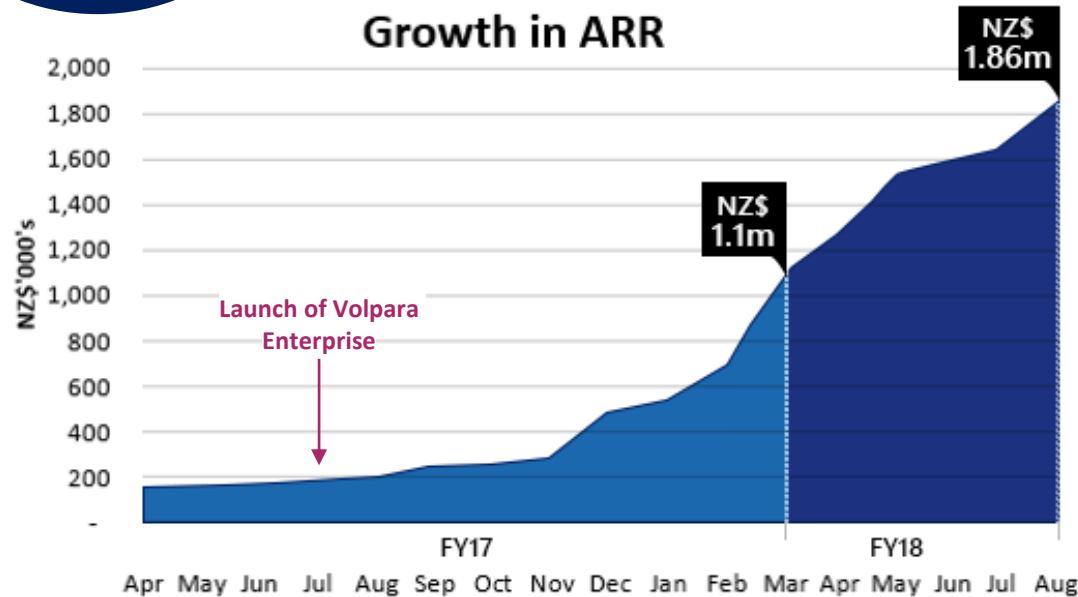
Up 586% from end FY16

Annual Recurring Revenue to mid-Q2 FY18

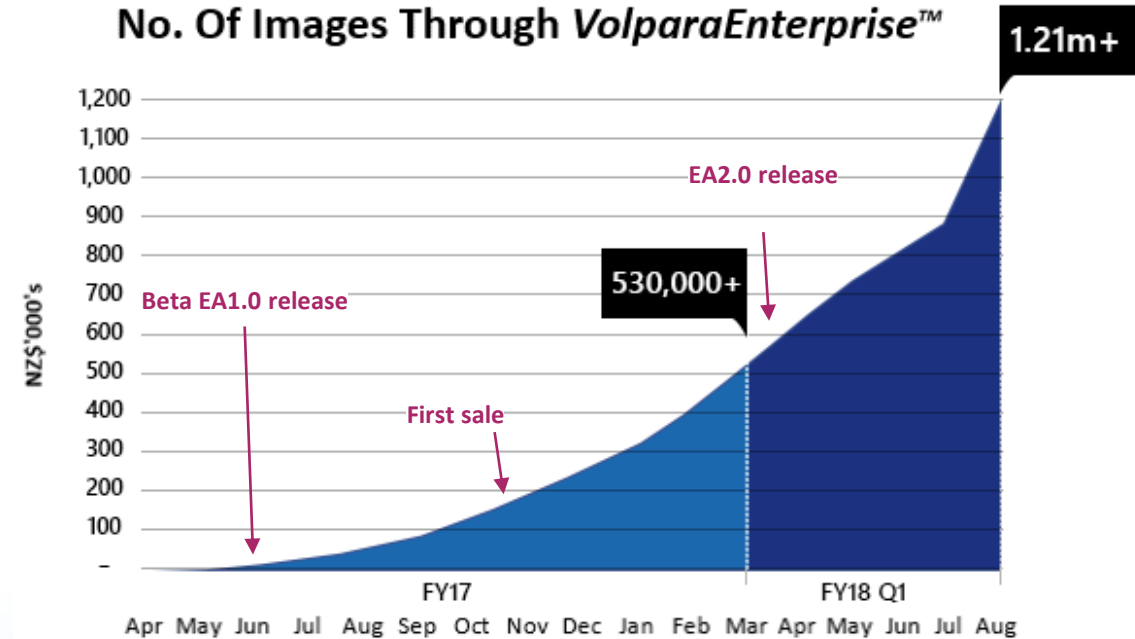
**NZ\$1.86m**

Up 69% from end FY17

### Growth in ARR



### No. Of Images Through VolparaEnterprise™

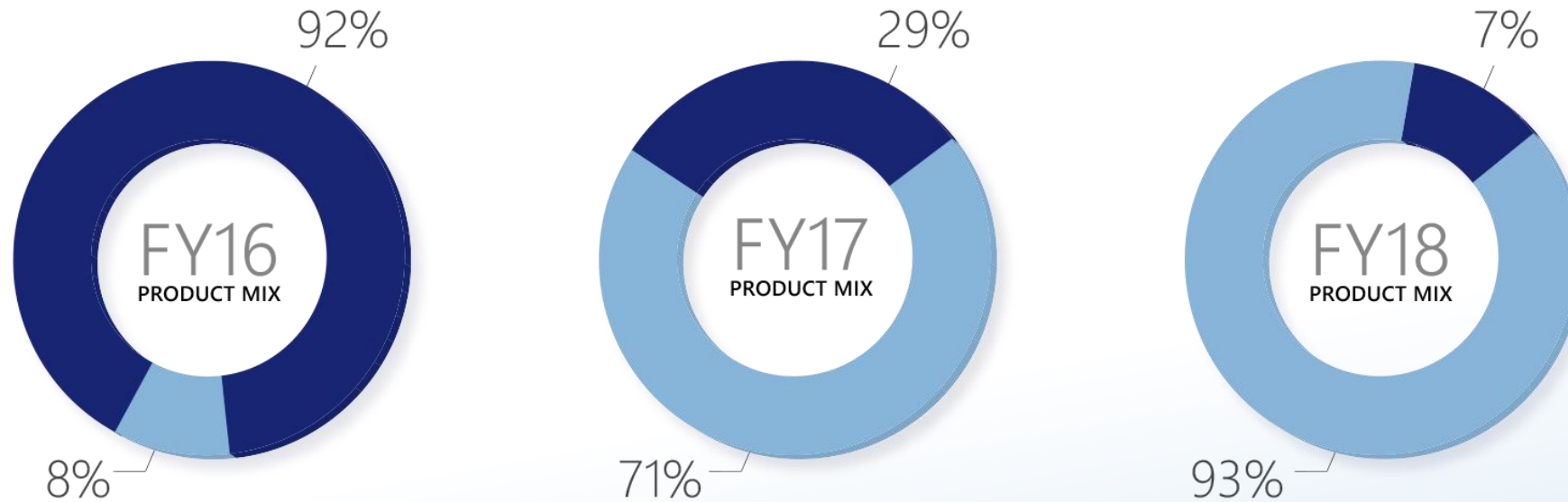


Approximately 1.5%+ of the US women being screened were going through Volpara at end June 2017—this is “big data” we can use for product development.



## Changing product mix

- Recurring Revenue
- Capital Sales

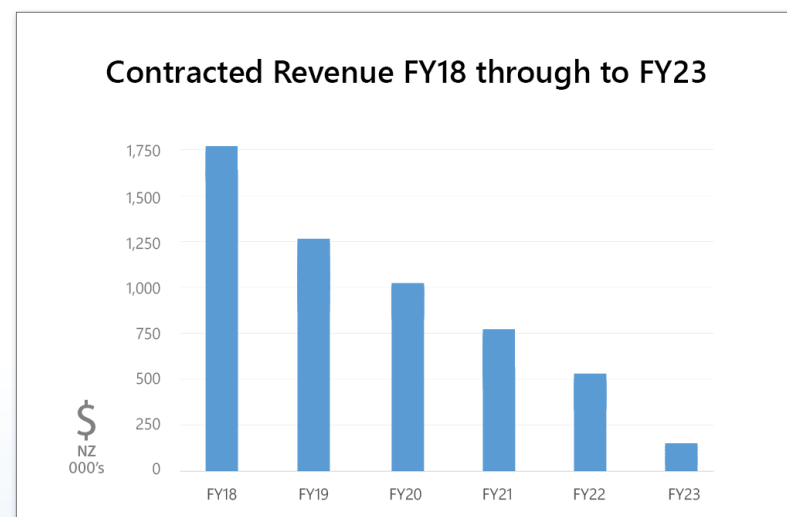


We've moved recurring revenues from **8% in FY16 to over 90% in Q1 FY18**, almost all from SaaS contracts. These contracts are building a growing pipeline of future revenue, but with many of the customers paying annually up front.

## Achievements in FY2017 – snapshot of 4E, income statement

	2017	2016
	NZ\$'000	NZ\$'000
Total revenue	2,047	2,614
Cost of sales	(680)	(620)
Gross profit	1,367	1,994
<b>Operating expenses</b>		
Sales and marketing	(5,223)	(2,534)
Product research and development	(2,302)	(1,941)
General and administration	(3,337)	(2,014)
Total operating expenses	(10,862)	(6,489)
Foreign exchange gains/(losses)	(344)	80
Operating deficit	(9,839)	(4,415)

- Recognized revenue (**under IFRS 15, which we've chosen to adopt early**) have decreased due to the new standard and the switch to SaaS, which means you recognise a majority of the income over time. **Note: We are typically paid 1 year in advance.**
- Expenses rose on listing costs plus new sales and marketing resources.
- No plan to significantly increase expenses, we have a great team in place.



**Total Contract Value** in FY17 increased to a record NZ\$4.1M from NZ\$2.8M in FY16, representing **growth of 45%**.

**Contracted Revenue as at mid-Q2 FY18 of approx. NZ\$5.4m** expected to be recognised between FY18 and FY23. Compared to NZ\$2.9M as at end FY17 and NZ\$600k as at end FY16.

## Achievements in FY2017 – listing and raising growth capital

- Listed end April 2016, raising ~A\$10M at A\$0.50
- Placement and rights issue end November/December 2016, raising ~A\$10M at A\$0.60

	For the 3 months ended June 2017 (Q1 FY18)
	NZ\$'000
Cash inflows	1,221
Cash outflows	(2,882)
Cash on hand	11,207

**Operating costs** for FY18 expected to remain similar to FY17. On track at end Q1 FY18.

**Cash balance** is tracking as planned.

# Capital structure& share register: strong support from top shareholders



- Little movement in Top 20 shareholders since listing
- Remaining escrow shares (April 2018) all belong to the founders and directors

## Upcoming investor events:

### Broker meets Biotech

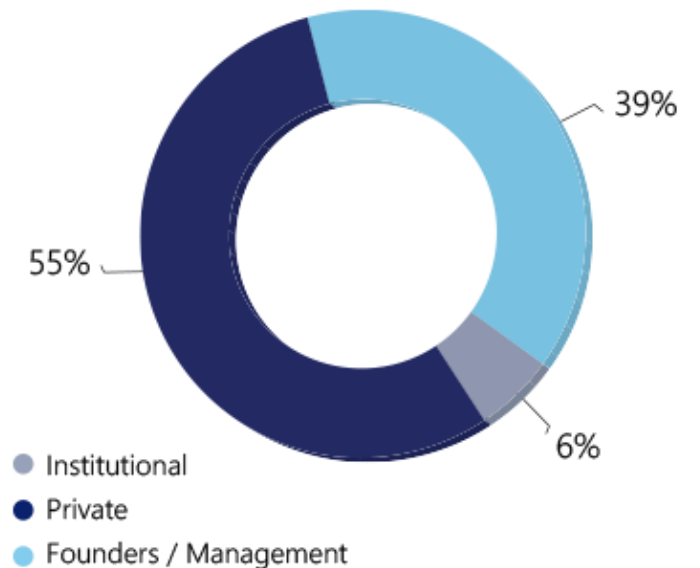
- 7 September – Brisbane
- 14 September – Perth
- 21 September – Adelaide

**FNN/Shaw Event (Sydney) – 17 October**

Thank you to WE Buchan and Michael Gordon from Gordon Capital.

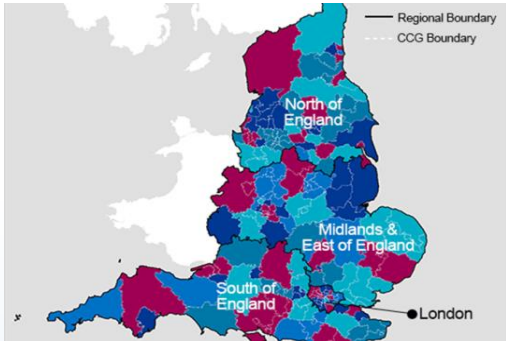
- **Market cap:** ~A\$83 million
- **Shares on issue:** 145 million

## Share Register Breakdown





## Looking ahead– commercial milestones coming up



October 2017 - expected commencement of UK NHS Project moving from scientific evaluation of ***VolparaDensity & competitors*** to a trial implementation into **the world's largest breast screening program**



**1<sup>st</sup> Oct**, Launch new on-line demos to start reducing customer acquisition costs

**1<sup>st</sup> Dec**, Demonstrate *VolparaDensity* integration with major risk companies

**1<sup>st</sup> Jan**, Release *VolparaEnterprise* 2.1 to reduce cost of goods and introduce benchmarking and other new features we can charge additional for.

**By end FY2018: Grow Annual Recurring Revenue (ARR) in excess of 200%**

**By end FY2018:** Capture at least 3% of all women screened in the U.S.

# Appendix



## Software as a Service (SaaS) business model

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- Under SaaS, the customer pays us for a service provided by our software, rather than buy a perpetual license with a once-off, up-front fee (a capital sales model).
- Although the customer might pay for the service a year in advance, under accounting standards the majority of revenue can only be recognised once the service has been provided (i.e., over time).
- SaaS is attractive to companies & investors as it is a recurring revenue model (less lumpy), but there are different metrics people use to judge progress. VHT currently focuses on the following definitions:
  - **Total Contract Value (TCV)** – the value of contracts signed in the current financial year, the revenue from these deals might be recognised over one or many years and the customer might have a cancellation clause of some kind.
  - **Annual Recurring Revenue (ARR)** – the amount of revenue reasonably expected to be booked for the next 12 months on the basis of the contracts signed previously, and assuming installation upon order.