

Nanosonics Limited 2017 Annual General Meeting

3 November 2017

nanosonics
Infection Protection. For Life.



Disclaimer

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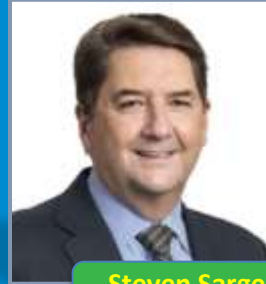
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Nanosonics' Board and Secretaries



Maurie Stang
Chairman, Non-Executive Director



Steven Sargent
Deputy Chairman, Non-Executive Director



Michael Kavanagh
CEO and Executive Director



Marie McDonald
Non-Executive Director



David Fisher
Non-Executive Director



Richard England
Non-Executive Director



McGregor Grant
CFO / Company Secretary



Rob Waring
Company Secretary

Chairman's Address

Mr Maurie Stang

Nanosonics Limited
2017 Annual General Meeting



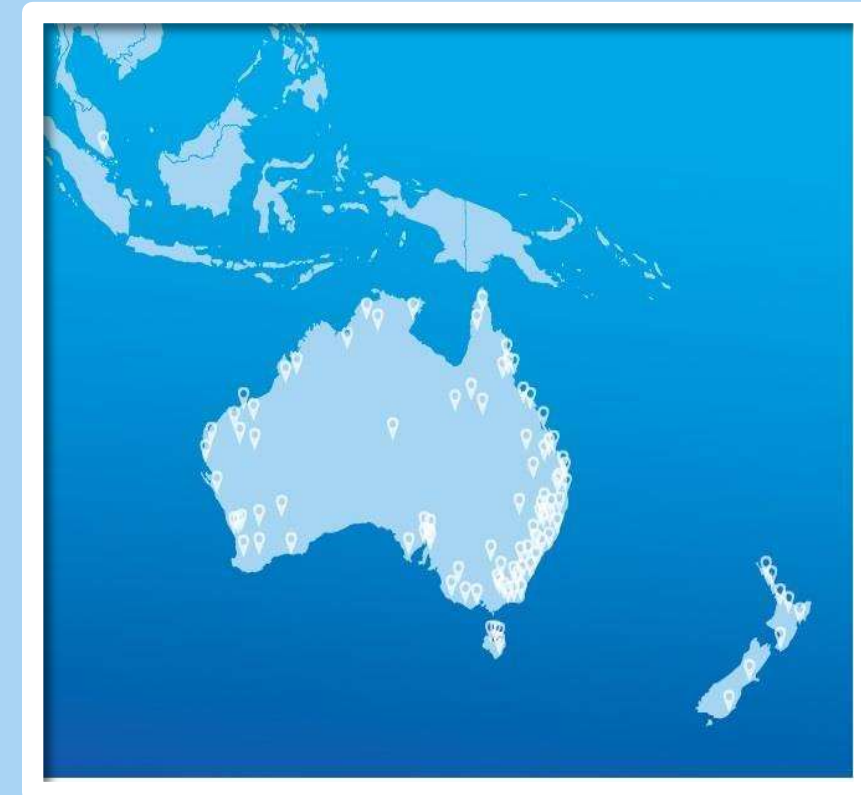
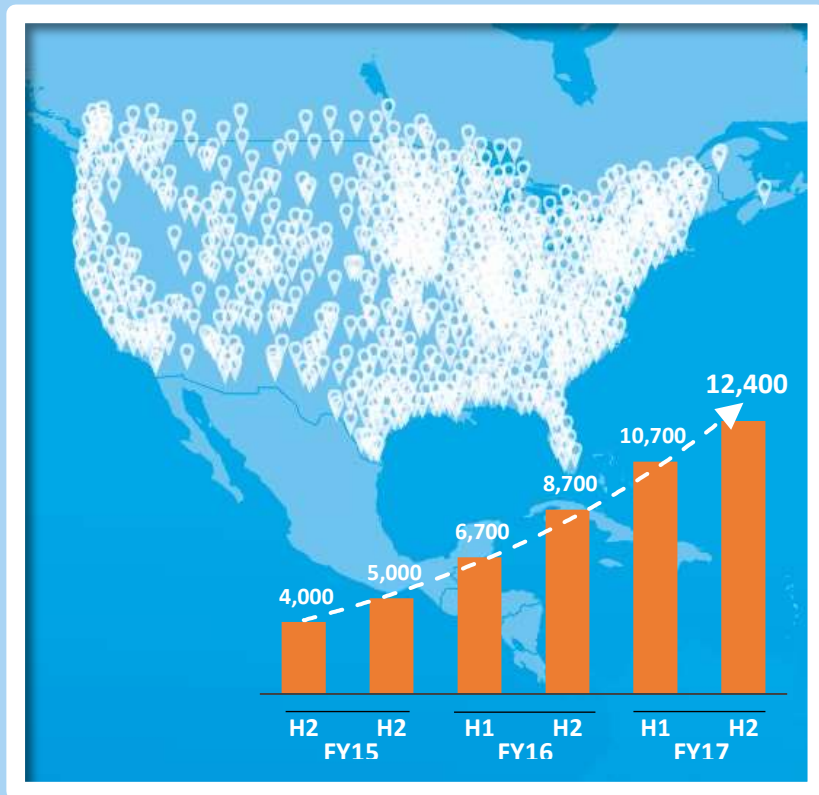
FY17 - Full year financial results

\$ million	FY17	FY16	Change%
Sale of goods and services	67.5	42.8	58%
Gross profit	50.2	32.2	56%
%	74%	75%	
Selling, general and administration	(28.6)	(25.4)	13%
Research and development	(9.5)	(7.3)	30%
Other income	0.8	0.1	700%
Finance income (net)	1.0	0.5	100%
Profit before income tax	13.9	0.1	
Income tax benefit	12.3	-	
Profit after income tax	26.2	0.1	
Cash Balance	63.0	48.8	

Highlights

- ▶ Sales of \$67.5 million, up 58% vs FY16
- ▶ Gross profit of \$50.2 million, or 74% of sales
- ▶ Total operating expenses of \$38.1 million
 - 30% increase in R&D investment associated with future generations of trophon technology and novel solutions aimed at addressing unmet needs in infection prevention field; and
 - 13% increase in SG&A to support sales and market expansion activities and expanding internal operational capacity and capabilities.
- ▶ Other income \$0.8 million, mainly due to gains on FX contracts
- ▶ Income tax benefit of \$12.3 million primarily related to recognition of benefit associated with carried forward losses and R&D credits
- ▶ Cash balance of \$63.0 million

Global installed base continues to grow



New studies and guidelines reinforce the need for High Level Disinfection



Nanosonics and GE Healthcare extend trophon relationship



25 August 2017

Company Announcements Office
Australian Securities Exchange

Nanosonics and GE Healthcare extend trophon relationship.

Nanosonics (ASX:NAN) announced today that has entered into a new Capital Reseller agreement with GE Healthcare which will come into effect at the end of the current GE Healthcare Distribution agreement. The new three year agreement commences on 1st July 2019 and provides GE Healthcare Capital Reseller rights as part of Nanosonics' global Ultrasound OEM program. The new arrangements provide GE Healthcare's customers ongoing access to the state of the art trophon through the GE Healthcare ultrasound sales channel in North America. As a result of the new agreement Nanosonics will gain a material increase in both sales and margin on consumables in North America as of and beyond July 2019.

As the risk of cross contamination with ultrasound procedures leads to more international guidelines being implemented, Nanosonics and GE Healthcare have also introduced a framework that will allow Nanosonics and GE Healthcare to continually assess and implement international capital reseller opportunities as new markets develop.

"The trophon technology is clearly well advanced in establishing itself as standard of care in North America. This is a great testimony not only to the excellent value proposition of the technology but also the excellent support GE Healthcare has provided as a leader in ultrasound solutions over the last six years. We very much welcome the opportunity to continue our relationship with GE beyond the existing agreement as we continue to further establish trophon as standard of care not only in North America but across international markets" said Michael Kavanagh, Nanosonics Chief Executive Officer and President.

Michael Kavanagh
President / Chief Executive Officer

For more information please contact:
Michael Kavanagh, President/CEO or McGregor Grant, CFO on 02 8063 1600

About Nanosonics
Nanosonics Limited is developing a portfolio of decontamination products designed to reduce the spread of infection. The Company owns intellectual property relating to a unique disinfection and sterilisation technology which can be suited to a variety of markets. Initial market applications are designed for the reprocessing of reusable medical instruments. The Company's first product is designed to disinfect Ultrasound Transducers. In parallel with the commercialisation of this product, Nanosonics is also developing other medical applications and exploring opportunities for its proprietary technology in other industries. For more information about Nanosonics please visit www.nanosonics.com.au

- ▶ New 3 Year Capital Reseller agreement comes into effect on 1 July 2019 at end of current Distribution agreement.
- ▶ Agreement is part of Nanosonics' global Ultrasound OEM program.
- ▶ GE Healthcare will have ongoing access to trophon through GE ultrasound sales channel.
- ▶ Nanosonics will gain material increase in both sales and margin on consumables in North America from 1 July 2019.

Focussed ramp up in R&D program

- ▶ Large unmet needs exist in infection prevention.
- ▶ Increased investment in R&D in FY17 by 30% to \$9.5 million and further growth in FY18 to approx. \$14 million
- ▶ Solid progress made on a number of new products which are moving from the research phase into the development phase in FY18.
- ▶ Targeting the launch of two new products over the next two years, subject to regulatory approvals.



Nanosonics' Board



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Chairman, Non-Executive Director



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Deputy Chairman , Non-Executive Director



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CEO and Executive Director



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Non-Executive Director



David Fisher
Non-Executive Director



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Non-Executive Director

Environmental, Social and Governance



Nanosonics' commitment to environmental, social and governance (ESG) factors is embedded in the Company's culture and approach to business.



Chairman's Address

Mr Maurie Stang

Nanosonics Limited
2017 Annual General Meeting



Mr Michael Kavanagh Chief Executive Officer & President

Nanosonics Limited
2017 Annual General Meeting



Senior Leadership Team



McGregor Grant
CFO and Company
Secretary



**Dr. Ron
Weinberger**
President Technology
Development/
Commercialisation



**Dr. Steven
Farrugia**
SVP Design &
Development



Gerard Putt
Head of
Manufacturing &
Operations



Ken Shaw
Regional
President
Americas



**Anthony
Harrington**
SVP Global
Marketing



**Bryn Tudor-
Owen**
Country Manager
- UK



Ralf Schmähling
Country Manager -
Germany



Julien Laronze
Country Manager -
France



**Leanne
Baxendale**
Head of People
and Culture



**Andrew
Murray**
Head of Global
Product
Management



Vincent Wang
Head of Global
Services



Ruth Cremin
Head of
Regulatory
Affairs



**Elaine
Alexander**
Head of Quality



Jon Burdach
Head of Clinical
Affairs

Our Mission



We improve the safety of patients, clinics, their staff and the environment by transforming the way infection prevention practices are understood and conducted and introducing innovative technologies that deliver improved standards of care.

Corporate objectives



Customer Experience

Establish our offerings as new standards of care globally and provide customers a convenient, seamless and consistent experience with both product and brand.



Product Innovation

Create and bring to market a portfolio of innovative and quality products that address unmet customer needs providing higher standards of safety, efficiency and patient care.



Operational Excellence

Develop an agile operation with scalable, compliant and performance focussed processes, designed to deliver a positive experience for our customers.



People Engagement

Build an organisation that attracts and retains the best people and engages and empowers them to take appropriate initiative and be accountable for our core objectives.



Value Creation

Create sustainable shareholder value, delivering high growth and strong returns, while making a significant contribution to social good.

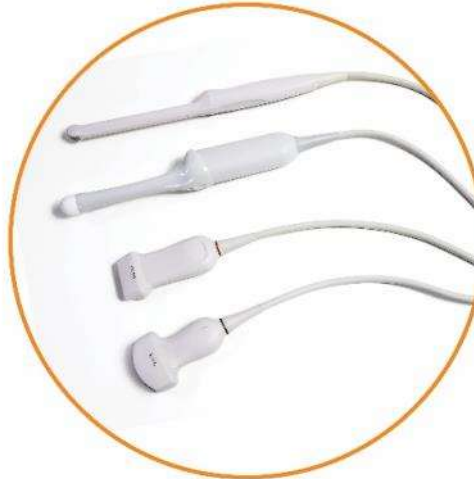
trophon® System

Safe



- **Patient** - most comprehensive portfolio of efficacy testing in probe high level disinfection.
- **User** - no handling or exposure to toxic chemicals
- **Environment** - water and oxygen as by products

Versatile



- Compatible with over 1,000 probes including intracavity and surface probes
- Can be used at point of care
- Supports streamlined practice workflows

Simple



- Simple to use – one button operation
- Fast 7 minute cycle

Large market opportunity

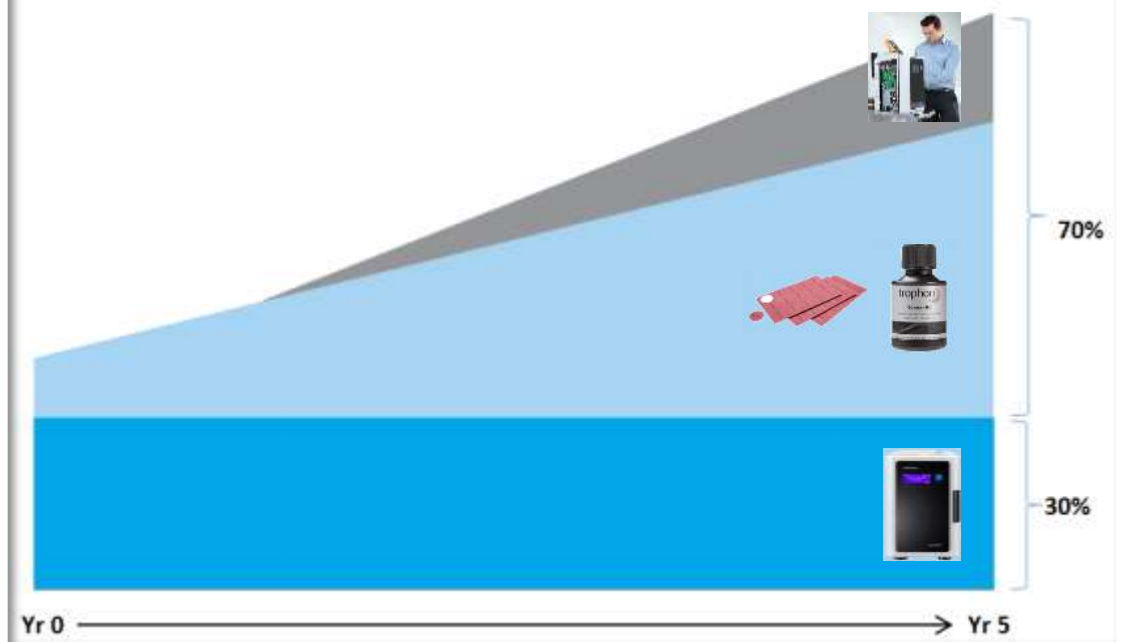
Attractive revenue model

Global addressable market:
~120,000 trophon EPR units

- ▶ ~40,000 Units in North America
- ▶ Equivalent sized markets in Europe and RoW

trophon 5 Year Cumulative Revenue Stream

■ Capital ■ Consumables ■ Service



FY17 - Highlights

Significant achievements across all aspects of Nanosonics' business

- ▶ Record revenue, up 58% to \$67.5 million
- ▶ North America installed base, up 42% to 12,400 (global installed base now 14,100)
- ▶ Market expansion into Japan
- ▶ Investments in R&D delivering results, now targeting two new products over the next two years, subject to regulatory approvals
- ▶ New clinical publications & guidelines supporting ongoing adoption of trophon as standard of care

Strong financial position for ongoing investment in growth strategy

- ▶ Operating profit before tax of \$13.9 million
- ▶ Cash reserve of \$63.0 million



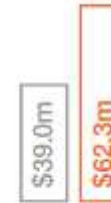
Regional updates



North America

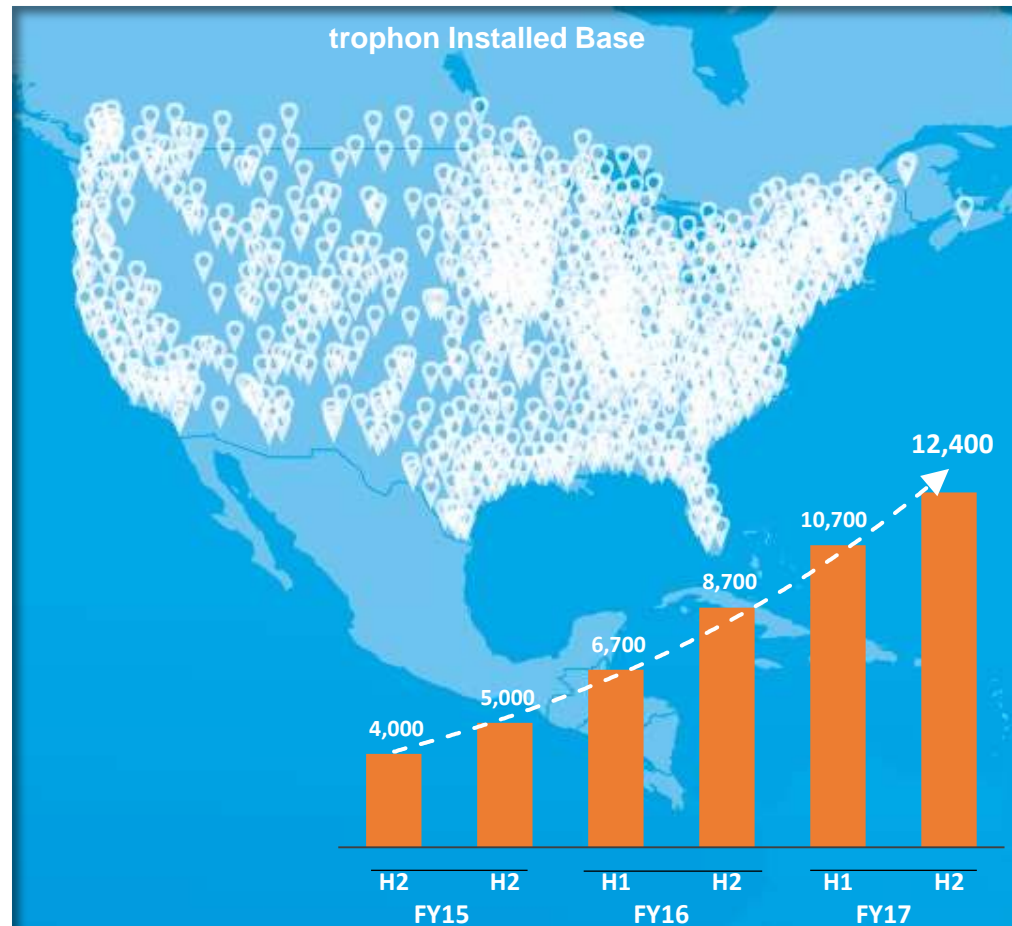


12,400
TROPHON
SYSTEMS NOW
INSTALLED



+60%
NORTH AMERICA
SALES

trophon Installed Base



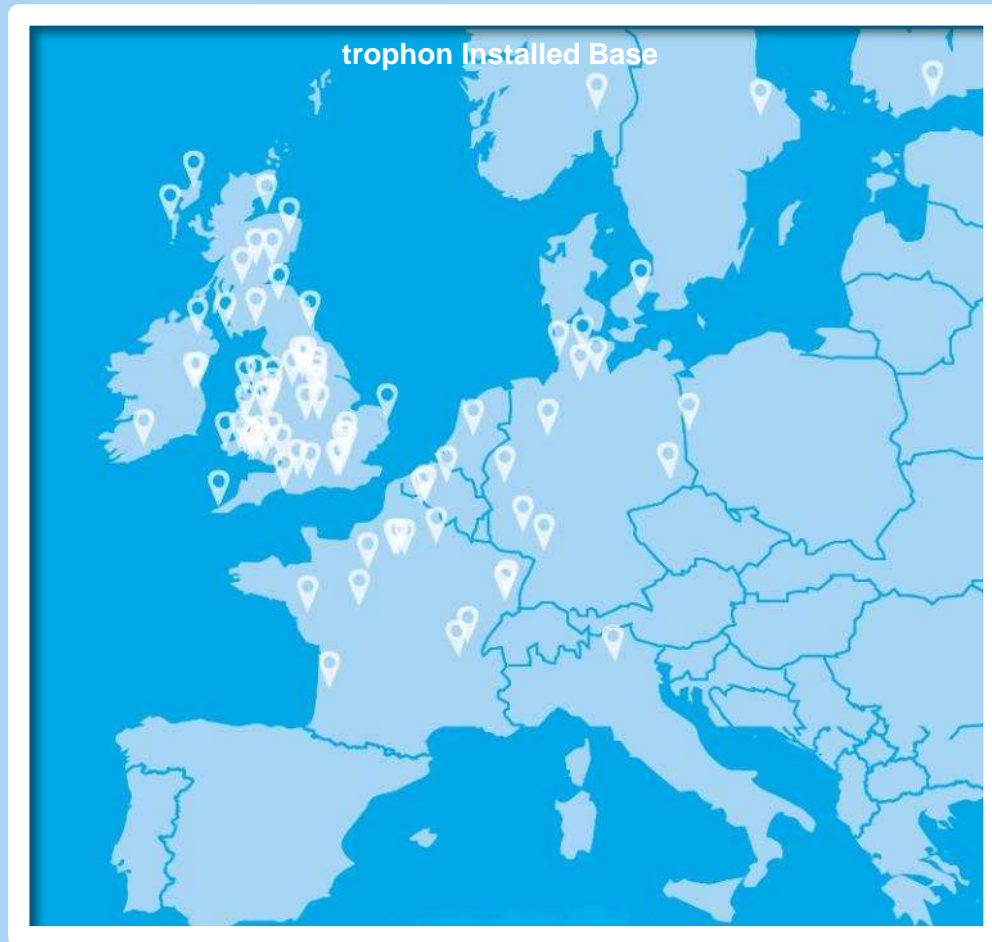
- ▶ Key focus is to establish trophon as standard of care across all hospitals and all relevant departments within each hospital.
- ▶ Continuing investment in education, sales and marketing activities to drive market awareness on the importance of high level disinfection for all semi-critical ultrasound probes.
- ▶ Capital reseller agreements established with all major ultrasound OEMs.
- ▶ Private market opportunity in particular clinics affiliated with hospitals.
- ▶ Relocation to new service and logistics facility to support ongoing growth in installed base.

Ultrasound companies support trophon at major ultrasound conferences

- ▶ Capital Reseller agreements now in place with all major ultrasound OEMs in USA
- ▶ OEMs demonstrate trophon as preferred solution on their trade displays at major ultrasound conferences



Europe



- ▶ Momentum of trophon adoption in UK builds in response to guideline changes and the Management Equipment Service (MES) business model.
- ▶ UK sales team expanded and new warehouse and service operations established.
- ▶ Fundamentals for adoption strengthening in France and Germany with updated guidance – further sales resources in FY18.
- ▶ Further European guidelines expected in FY18.

Managed Equipment Service (MES)



- ▶ Model helps hospitals in UK overcome capital budget constraints and provides an immediate benefit to the customer through earlier access to trophon.
- ▶ Ownership of the trophon capital equipment placed in hospitals remains with Nanosonics.
- ▶ Facilities pay an 'all-inclusive price' for consumables in return for use and maintenance of the capital equipment.
- ▶ Expect up to 90% of installed base in UK will come under this model.

Asia Pacific



Australia / New Zealand

- ▶ ANZ sales grew 22% to \$3.1 million.
- ▶ New joint guideline between ASUM and ACIPC emphasising the importance of HLD of all semi-critical ultrasound devices.

Japan

- ▶ Nanosonics entered into a master distribution agreement with leading infection prevention company, Sakura Seiki.

Strengthening fundamentals for adoption globally



New studies and guidelines reinforce the need for High Level Disinfection

Guidelines evolving rapidly to reflect disinfection best practice



▶ World Federation for Ultrasound in Medicine and Biology

- Defines semi critical devices as those that pose a higher risk because of contact with non-intact skin or mucous membranes and recommends HLD for all semi critical probes.

▶ Australasian Society for Ultrasound in Medicine (ASUM) + Australasian College for Infection Prevention and Control (ACIPC) Joint Guidance.

- Emphasis on applying HLD not just to intracavity probes, but also to all surface probes used in semi-critical procedures.

▶ Health Service Executive Ireland

- The new guidance recommends an automated validated process for decontaminating reusable invasive medical devices.

▶ European Committee for Medical Ultrasound Safety (ECMUS)

- Automated solution recommended to overcome complexities of different probe IFU designs and materials.

Semi-critical probes

Many surface probe procedures are semi-critical & require High Level Disinfection



- Breast biopsy
- Liver biopsy
- Lymph biopsy
- Lung biopsy
- Kidney biopsy
- Abdominal/chest biopsy
- Bone /tissue biopsy

- Prostate biopsy
- Tumor biopsy

- Central venous access
- Peripheral venous access
- Urinary catheterization/nephrostomy
- Tracheostomy

Biopsies

Cannulation, Catheterization

Injections, Ablations, Surgeries

Aspirations, Drainages

- Tumor ablations
- Tumor resection surgeries
- Nerve blocks
- Peripheral nerve stimulations
- Neurosurgeries
- Cardiac surgeries (valve/pacemaker replacements etc)
- Musculoskeletal injections (tenotomy, tendon and articular injections etc)

- Pericardiocentesis, arthrocentesis, paracentesis, thoracentesis
- Abscess removal, foreign body removal

- Percutaneous transhepatic biliary drainage
- Percutaneous suprapubic bladder aspiration
- Amniocentesis, Cordocentesis, etc.

The need for High Level Disinfection is based on intended probe usage - not probe type

- ▶ Educational push by industry Key Opinion Leaders through influential peer reviewed publications.
- ▶ trophon traditionally used in departments using intracavity probes for internal examinations.
- ▶ Ultrasound is now used extensively in departments right-across the hospital landscape for semi-critical procedures.
- ▶ Guidelines define the need for HLD based on intended use and surface probes can also be semi-critical.
- ▶ Customer education is underway.

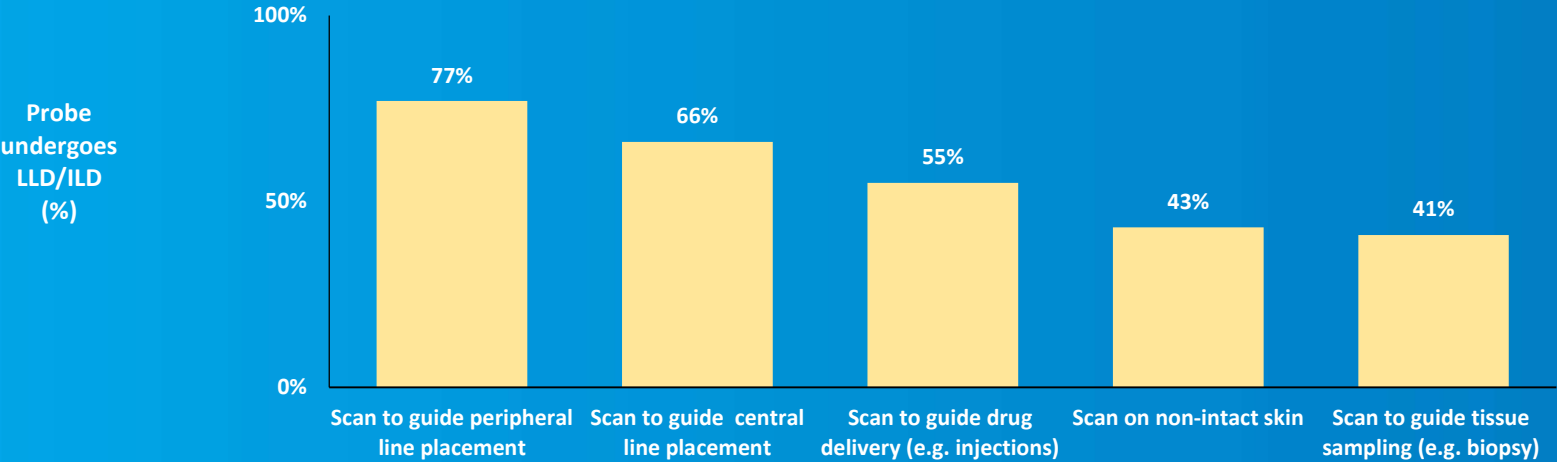
Industry experts issue a call to action...



- ▶ Preliminary survey highlighted that immediate action is needed to bridge gaps in awareness about ultrasound probe reprocessing requirements, and to enhance education
- ▶ The Call to Action explores:
 - challenges presented by ultrasound probe infections
 - current efforts to monitor and manage ultrasound sites
 - a path toward action and education around the risks

Follow up study* confirms need for stricter HLD controls for semi critical probes.

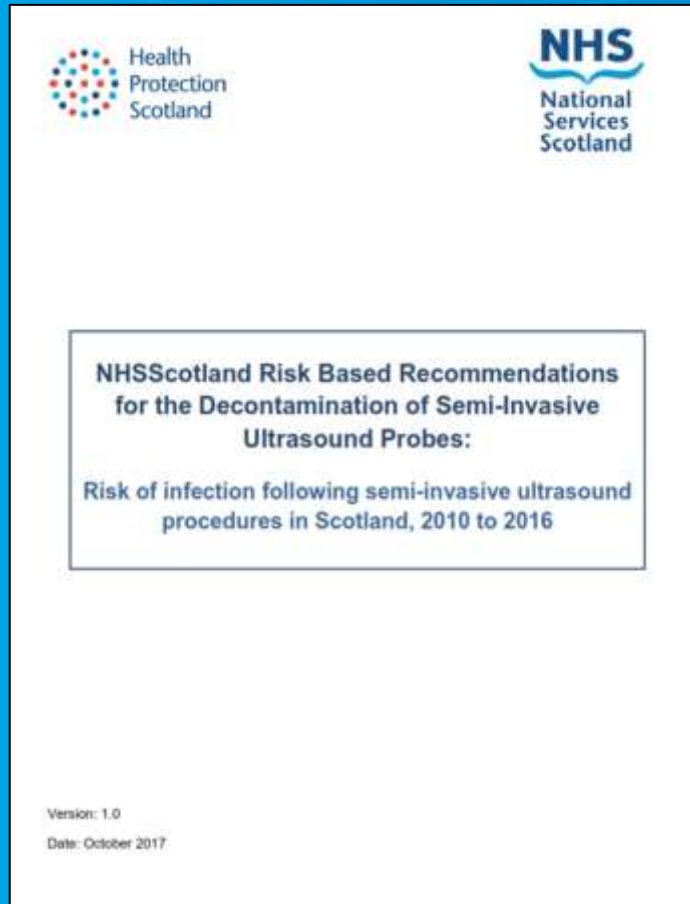
Example of surface probes requiring HLD where it is not currently performed as standard practice*



Respondents also indicated a preference for standardisation (92%) & automation (93%) of probe disinfection facility wide throughout all departments.

* Study is ongoing and is a collaboration with Assoc Prof Ruth Carrico, Division of Infectious Diseases, University of Louisville. Data is adapted from interim analysis (N=268) presented at the SDMS Annual Conference in October 2017 by Assoc Prof Carrico. To view the presentation go to: <http://info.nanosonics.us/sdms-symposium> .

First population-level study demonstrates increased risk of both infection and antibiotic prescriptions following semi-invasive ultrasound probe procedures



- Scottish study published by National Service Scotland has shown epidemiological link between improper endocavitary ultrasound probe disinfection* and increased infection risk.
- Scottish national healthcare databases were mined to assess likelihood of positive microbial reports and community antibiotic prescriptions in the 30 days following endocavitary procedure with matched controls (no scan).
- 30 days after a **TV scan (p<0.001)**:
 - Patient **41% more likely** to have positive bacterial cultures
 - Patient **26% more likely** to be prescribed antibiotics
- 30 days after a **TR scan (p<0.001)**:
 - Patient **3.4x more likely** to have positive bacterial cultures
 - Patient **75% more likely** to be prescribed antibiotics

*LLD was the main method used during the data collection period (2010-2016). In a 2012 national survey, only 9.5% of Scottish facilities were performing HLD.

Growth strategies

Expand existing market

- ▶ Trophon as Standard of Care for all semi critical probes across all relevant hospital departments and private clinics



Geographic expansion

- ▶ Entry into new markets with trophon as new guidelines emerge and with introduction of new products



Product expansion

- ▶ Investment in R&D
- ▶ Targeting two new products in two years



Focussed ramp up in R&D program

- ▶ Large unmet needs exist in infection prevention.
- ▶ Increased investment in R&D in FY17 by 30% to \$9.5 million and further growth in FY18 to approx. \$14 million
- ▶ Solid progress made on a number of new products which are moving from the research phase into the development phase in FY18.
- ▶ Targeting the launch of two new products over the next two years, subject to regulatory approvals.



Business outlook - Business model evolving

- ▶ **Installed base continues to grow (key driver for annuity revenue) and fundamentals for adoption internationally strengthening**

- ▶ **Direct Business – Business model mix**
 - Capital equipment sales
 - Capital equipment rentals
 - Managed Equipment Service (MES)

- ▶ **Distribution**
 - GE Healthcare
 - Inventory management
 - Transition to capital reseller model from July 2019
 - Ultrasound OEM capital reseller strategy
 - Japan: Sakura Seiki – FY18 Market preparation
 - Expect entry to Middle East in FY18

Business outlook

FY18

- ▶ Continued growth in installed base in North America – FY18 H1 similar to FY17 H2
 - Uncertainty surrounding healthcare reform in USA – potential to delay timing of capital purchase. However, the importance of infection prevention unchanged
- ▶ MES program in UK gaining momentum – expect FY18 new unit growth of 75% -100% over FY17, of which 90% + of installations will be under MES
- ▶ Variability in volume and phasing of GE purchases as inventory is managed
- ▶ Continued investment in growth with total FY18 OPEX expected to be approximately \$48 million
 - Increased investment in R&D growing to approx. \$14 million in FY18, targeting two new products in the next two years, subject to regulatory approval
 - Expansion in regional sales and marketing as well as operational infrastructure
- ▶ New guidelines expected in Europe supporting entry into new markets
- ▶ Market entry into Middle East to commence
- ▶ Pre-marketing commencing in Japan with Sakura Seiki
- ▶ USD – FY18 assumed at \$0.78 vs ~\$0.75 in FY17

Beyond FY18

- ▶ Continued growth in trophon installed base in all core markets as requirements for HLD of all Semi Critical probes is understood and adopted
- ▶ Expansion into new markets as new guidelines introduce requirements for HLD
- ▶ New GE Healthcare agreement comes into effect in July 2019 with material increase in revenue and margin for Nanosonics on consumables in North America.
- ▶ Further expansion with introduction of new products

Thank you

Formal Business

Nanosonics Limited
2017 Annual General Meeting



Resolution 1

Re-election of a Director – Mr Richard England



Resolution 1

Re-election of a Director – Mr Richard England

Resolution: That Mr Richard England, who retires as a Director pursuant to the Company's Constitution and, being eligible, offers himself for re-election, be re-elected a Director.

Proxy votes received

For	:	117,825,344
Against	:	30,594,436
Discretion	:	757,629
Abstained/Excluded	:	210,265

Resolution 2

Re-election of a Director – Dr David Fisher



Resolution 2

Re-election of a Director – Dr David Fisher

Resolution: That Dr David Fisher, who retires as a Director pursuant to the Company’s Constitution and, being eligible, offers himself for re-election, be re-elected a Director.

Proxy votes received

Votes for	:	144,422,709
Against	:	4,002,271
Discretion	:	752,629
Abstained/Excluded	:	210,065

Resolution 3

Remuneration report

Resolution: That the Remuneration Report for the financial year ended 30 June 2017 be adopted.

Proxy votes received

Votes for	:	126,507,912
Against	:	2,761,589
Discretion	:	739,135
Abstained/Excluded	:	17,578,876

Resolution 4

Appointment of Auditor

Resolution: That for the purposes of section 327B(1)(b) of the Corporations Act 2001 (Cth), and for all other purposes, Ernst & Young, having been nominated by a shareholder and consented in writing to act in the capacity of Auditor, be appointed as Auditor of the Company.

Proxy votes received

Votes for	:	148,223,010
Against	:	204,672
Discretion	:	757,629
Abstained/Excluded	:	202,363

Resolution 5

Issue of 45,513 Performance Rights to the Chief Executive Officer and President, Mr Michael Kavanagh, under the 2017 Short Term Incentive Scheme (2017 STIS)

Resolution: That approval be given for all purposes under the Corporations Act 2001 (Cth) and the ASX Listing Rule 10.14 for the issue of 45,513 Performance Rights to Mr Michael Kavanagh under the Nanosonics Omnibus Equity Plan (Omnibus Plan) in respect of the 2017 STIS, on the terms set out in the Explanatory Notes accompanying this Notice of Meeting and in accordance with the Rules of the Omnibus Plan (as amended from time-to-time).

Proxy votes received

Votes for	:	130,936,496
Against	:	15,120,073
Discretion	:	807,610
Abstained/Excluded	:	868,132

Resolution 6

Issue of 25,733 Performance Rights and 340,424 Options to the Chief Executive Officer and President, Mr Michael Kavanagh, under the 2017 Long-Term Incentive Scheme Invitation (2017 LTIS)

Resolution: That approval be given for all purposes under the Corporations Act 2001 (Cth) and the ASX Listing Rule 10.14 for the issue of 25,733 Performance Rights and 340,424 Options to Mr Michael Kavanagh under the Omnibus Plan in respect of the 2017 LTIS, on the terms set out in the Explanatory Notes accompanying this Notice of Meeting and in accordance with the Rules of the Omnibus Plan (as amended from time-to-time).

Proxy votes received

Votes for	:	142,805,759
Against	:	3,226,235
Discretion	:	825,621
Abstained/Excluded	:	874,696

Resolution 7

Amendment to the 2015 Long Term Incentive Scheme to remove the “deemed exercise” provisions and allow exercise any time during 3 years after 31 August 2018

Resolution: That approval be given to amending the terms of the 2015 Long Term Incentive Scheme (2015 LTI) by removing the ‘deemed exercise’ provisions and extending the expiry date for exercise of vested Performance Rights from 30 September 2018 to 31 August 2021.

Proxy votes received

Votes for	:	144,172,923
Against	:	1,224,775
Discretion	:	800,610
Abstained/Excluded	:	1,389,204

Resolution 8

Re-insertion of Proportional Takeover Provisions in Constitution

Resolution: That the proportional takeover provisions at clause 1.6 of the Company's Constitution, in the form attached to this Notice of Meeting as Annexure B, be re-inserted into the Constitution for a period of three years commencing on the day this special Resolution is passed.

Proxy votes received

Votes for	:	147,712,965
Against	:	509,073
Discretion	:	827,129
Abstained/Excluded	:	338,507

Questions

Nanosonics Limited
2017 Annual General Meeting

