



ASX Announcement

30 November 2017

Chairman's Address to 2017 AGM

As we have already outlined to you in earlier communications FY2017 has been a very challenging year for AtCor. You, our shareholders are, understandably, frustrated both with the company's performance as well as our share price. We, your board, share your frustration both as directors of the company and also significant holders of stock in AtCor.

As we head into 2018, our number one focus is to build a valuable and sustainable business. This will require a significant pivot of the business direction. We commenced this process of establishing a new direction last year and today I will outline in greater detail this new direction and, what we believe, is a new beginning for your company. In summary we have taken action and I am happy to address any questions you may have later in the meeting.

But firstly I want to review the FY2017 performance. At the commencement of the year we had upscaled our resources and organisation with the aim of increasing our sales into the US clinical market. This initiative was undertaken following the receipt of the CPT 1 reimbursement code in FY2016. We continue to make positive progress in terms of units placed, combined with the successful signing of supply agreements with a number of integrated healthcare delivery networks. These arrangements will provide a good platform for future sales.

The unit uptake and subsequent sales, however, have been much slower than planned and it is very costly to sustain a large salesforce through what is a relatively lengthy sales cycle.

The main reason for the slower sales uptake is that it takes significant time and effort to effect change in clinical practice. Clinicians are often reluctant to change from the old tried and tested ways. We continue to be convinced that the benefit of using SphygmoCor, once adopted, in allowing the early detection and more effective management of hypertension and arterial ageing is compelling.

Concurrent with our experiences in the US clinical market, it also became clear that we could no longer rely on our pharma business to provide a consistent and predictable revenue stream. Demand from our pharma business has been variable over the past few years – driven mainly by the cycle of new drugs being developed and trialled.

In light of this business environment we undertook a significant restructure of the business. This restructure focused on both the US and Australia to bring our costs in line with our sales and to strive for break-even as a first step towards sustainable profit. The outcome of these initiatives has meant that our costs in 2H2017 were materially lower than in 1H and we expect this trend to continue into 1H2018.

Concurrent with the resizing of the business we undertook a strategic review, which focused on ensuring the company has a sustainable business for the future. The review had a number of facets including opening dialogue with a number of parties regarding potential joint ventures, strategic initiatives and exploring the potential for utilising our technology in other applications.

This review is substantially complete and we are now finalising our new direction.

The key elements of this new direction are threefold:

- 1) continued focus on our existing business with a priority to make it profitable and sustainable in the short-term;
- 2) leveraging of our existing IP and technology into new health professional markets and geographies as well as other applications such as wearables; and
- 3) identifying new opportunities in health, wellness and med-tech for the company to expand in both hypertension and other high growth opportunities.

In order to be able to capitalise on these exciting opportunities it is important to have leadership with the strategic vision and drive to execute effectively. To this end I am delighted to announce today that Craig Cooper has accepted the position of AtCor CEO with effect from tomorrow, December 1st 2017.

We announced a few weeks ago Craig's appointment to the board – also effective from tomorrow. Craig brings an outstanding track record in the creation of several businesses as well as being deeply embedded in the digital environment – a background that can add significant value to AtCor. I am delighted to welcome him to our company and wish him and the company outstanding success for the future. There will be a separate announcement on Craig's appointment lodged with the ASX today which will outline his enthusiasm and vision for AtCor.

I have to tell you that in spite of the past challenges I am very excited and optimistic about our new approach, direction and leadership.

I now want to turn to your board and board renewal. You will recall that earlier in the year we announced that Professor Michael O'Rourke informed us that he did not intend to stand for re-election at today's AGM. This AGM is therefore Michael's last responsibility as a board member. Most of you will be aware that the core technology that AtCor has been built from is based on the academic, scientific and clinical work that Michael has undertaken over the decades. He was and still is regarded as a worldwide leader in the field of haemodynamics. He was also one of the founders of AtCor back in 1993 and throughout his illustrious career and time with AtCor he has provided valuable guidance and wisdom. I, on behalf of the board and everyone in the company, want to recognize and thank Michael for all he has contributed and wish him well for the future.

As part of the board renewal process we continue to evaluate the skills and background of the directors we need to help drive our new direction. As already stated Craig Cooper joins the board, effective tomorrow. We will continue to make further changes to the composition of the board over time to ensure the board structure is consistent with our new strategic direction.

Finally, as already said, it has been a challenging 18 months – but I believe we can focus on an exciting future. I want to take this opportunity to thank all of our employees for their continued support and dedication during this time. Finally I want to thank you, our shareholders, for your support and I look forward to significant success in the future.

Thank you