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### PainChek® Investor update – 31<sup>st</sup> July 2018

#### Highlights: Australia Residential Aged Care Market Development

- **PainChek® gaining market traction as annual Residential Aged Care (RAC) license agreements continue to increase:**
  - 9 clients, across 12 RAC facilities in total as of 31 July - up from 5 clients across 5 RAC facilities as of 30 June
  - 904 licensed beds as of 31 July – up from 338 beds as of 30 June

Summary of RAC agreements over time	No. of Customers	No. of RAC's	No. of Licensed Beds
Number signed in the 6 months ended 31 March	2	2	65
Number signed in the 3 months ended 30 June	3	3	273
Number signed in the month ended 31 July	4	7	566
<b>Total</b>	<b>9</b>	<b>12</b>	<b>904</b>

- **2,700 PainChek® clinical pain assessments now completed, up from 1,250 on June 30<sup>th</sup>**
- **17 additional RAC operators in trials or in negotiation, which manage 220 RAC facilities and 19,000 beds, representing approximately 9% of the total RAC market**

#### Market Opportunity Summary:

Our primary focus, to date, has been in dementia care in the Residential Aged Care (RAC) market. In Australia, there are 950 RAC operators who manage a total of 2,700 RAC's with 210,000 resident beds. There are 400,000 people living with dementia in Australia of which 115,000 are within Residential Aged Care<sup>(1)</sup>.

<sup>(1)</sup> Australian Government Dept of Health data at 30 June 2015

At a global level there are 50 Million people living with dementia. While the Australian market has large potential in its own right, Australia is just 2% of the PainChek® global market opportunity and we continue to plan ahead to enter Europe and other overseas markets in 2019.

**Background:**

During the past six months, PainChek® has focused on commercialisation of the PainChek® Adult “Dementia” App within Australia and has built a small but highly effective “go to market” team comprised of experienced sales, marketing, clinical and technical personnel to drive the process.

We have conducted a significant number of customer trials, typically spanning a 4-6-week period, across large, medium and small sized Residential Aged Care (RAC) clients with the vast majority of them either resulting in a commercial agreement or moving forwards towards negotiating an agreement.

As of 31<sup>st</sup> July 2018, we have a total of 10 clients (including Dementia Support Australia) with one-year subscription agreements in place, with a Monthly Recurring Revenue (MRR)<sup>(2)</sup> of \$7,822 which equates to an Annualised Recurring Revenue (ARR) of \$93,870. We also have a large pipeline of opportunities which is summarised in the segment analysis below. In addition, more than 2,700 PainChek® clinical pain assessments have been conducted on more than 500 people living with dementia within Australia, thus establishing PainChek® as a new, valid pain assessment tool for people unable to verbalise their pain within the Australian Aged Care market.

**Market Segmentation Sales Analysis:****1. Residential Aged Care:**

As of 31<sup>st</sup> July 2018, we have secured one-year license agreements with 9 RAC operators, totalling 12 RAC’s and more than 900 licensed beds/residents. These contracts generate an MRR of \$4,489 (ARR of \$53,870). PainChek® is now being used as the primary clinical pain assessment tool within these facilities across four states in Australia.

Typically, we license a RAC facility based on the total number of approved beds (licensed beds) for the facility, although on average we estimate approximately 50% of residents in a facility may be suffering from dementia at any time.

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<sup>(2)</sup> Monthly Recurring Revenue (MRR) includes subscription revenue on contracts of 12 months or longer and excludes one off fees for professional support and training. MRR and ARR are calculated on the basis of the total number of contracts signed as of specific month end date. As such, the MRR and ARR do not represent revenue recognised in the accounts for the period ending on that date.

The monthly Average Revenue per Licensed Bed (ARLB) across the RAC customers based on the agreements signed to date is \$5 per month, and the Average Revenue per Active Resident is in the range of \$10 per month based on actual resident usage. This will be reported on when we have more usage data.

There is good momentum and take up of PainChek® across this market segment. The following summarises the sales growth and the pipeline potential in place.

- **RAC Sales Pipeline summary**

New potential clients include a range of large, medium and small RAC operators. As of 31<sup>st</sup> July 2018 we have 17 additional RAC operators in trials or in negotiation, which manage 220 RAC facilities and 19,000 beds and represent approximately 9% of the total RAC market. Within these potential clients we estimate a current sales opportunity of up to 8,000 beds, along with other new RAC opportunities being identified.

## **2. HealthCare Professional (HCP) Segment:**

This segment includes GP's, Physio's, and Registered Nurses operating within a range of profit and not for profit entities, that supply specialist services for people living with dementia within RAC facilities and in the home environment. Their services cover all of the 400,000 people living with dementia in Australia.

We have successfully extended our license agreement with our initial customer in this segment, Dementia Support Australia (DSA), for an additional year to 30 June 2019. DSA has rolled out PainChek® nationally, and we have completed integration into their care management documentation system.

We also have a new service agreement in place with DSA where their 150 nationwide consultants are available to support PainChek® in providing training services to our clients on an as needs basis. This agreement runs for a 2-year period and we pay an agreed rate for consultant services utilised. This will further optimise our cost base and extend our national reach for service provision.

We are exploring a number of new commercial opportunities with Physio groups and GP's who specialize in dementia and geriatric services within this large market segment.

## **3. Home Care Operators and Direct to Home Carer segment:**

A number of the large not-for-profit RAC providers are also Home Care Operator (HCO's) providing services and home care packages for people with dementia who prefer to live at home. This is in alignment with the Australian Government Consumer Directive Care (CDC)

initiative, effective April 2018, to give aged care consumers the choice of having clinical services at home. The majority of people with dementia in Australia (around 300,000) live at home and many of them have access to these HCO packages.

The development of the PainChek® “consumer” version has been finalised along with a series of PainChek® training videos developed with Dementia Training Australia (DTA). The App and training materials will be made available to HCO’s and other health care professional groups to provide access to PainChek® and training of family carers so that home carers can carry out pain assessments for their family members and share the results with their professional carers through the PainChek® portal. This service can be obtained through a new PainChek® “shared care” license negotiated with the HCO or by the family member accessing a shared care license directly through the App/Google Play Store.

We believe this will improve care, reduce the cost of pain assessments and support the government’s goals to achieve their care in the home for the elderly. Initially our consumer version will only be available via this shared care approach. Over time, as PainChek® becomes more widely used and accepted by health care professionals, we expect to enable anyone to license PainChek® independent of HCO’s.

We are in the final stages of negotiating a new sales agreement with a Home Care Operator to pilot this programme in Sydney under the “shared care” model.

#### **Customer Feedback:**

The feedback from our initial client base has provided real insights. It is clear that PainChek® provides carers across multiple clinical areas with three important new clinical benefits;

- the ability to identify the presence of pain, when pain isn’t obvious;
- to quantify the severity level of pain, when pain is obvious; and
- monitor the impact of treatment to optimise overall care.

We take these learnings and messages into the new financial year as we continue to expand our reach in Australia and prepare to internationalise the business.

#### **Other Progress Measures:**

##### **PainChek® Infants App (0 – 12 months in age):**

We are making good progress on the development of the PainChek® App for Infants. The software development is on schedule, and we anticipate having a version ready for beta testing and validation studies by 30 September 2018. We are currently in discussions with groups in Melbourne and Sydney for the validation study, with the objective of having a partner signed for the study by October 2018. We have also completed the collection of our own video libraries to enable the machine learning for both face and voice analysis.

**Third Party Software Providers:**

Health Metrics (HM) integration: PainChek Ltd and Health Metrics Pty Ltd have completed the development of the phase one integration of the PainChek® and eCase systems. This work eliminates duplicate resident data entry in the Aged Care environment by automatically creating new eCase residents in PainChek®.

This feature will be available for production use by eCase clients in Q3 2018.

**Update on the Apple Store and Google Play Store:**

During the past quarter we successfully placed the PainChek® App onto both Apple and Google Play stores – thus allowing easy download access for new enterprise clients and providing the basis for downloading by future consumer and homecare operators.

**Conference Updates:**

PainChek® management presented and exhibited at a number of conferences including the Australian Pain Society conference (8<sup>th</sup>-11<sup>th</sup> April), HammondCare International Dementia Conference (7<sup>th</sup>-8<sup>th</sup> June), the Palliative, Dementia and Aged Care Forum (3<sup>rd</sup>-5<sup>th</sup> July) and the Health Metrics conference (26<sup>th</sup>-27<sup>th</sup> July). This has further extended our reach within Aged Care now reflected within our sales pipeline. In addition, it has provided new opportunities within primary care (via GP's), palliative care and hospital acute care in Australia. These attendances have generated overseas interests including New Zealand which falls under the TGA regulatory framework.

**Publications:**

We now have five peer reviewed publications, the latest on 16<sup>th</sup> July 2018 entitled "*A novel pain assessment tool incorporating facial analysis: interrater reliability in advanced dementia*" Clinical Interventions in Ageing. 2018;13:1245-1258. This latest publication confirms PainChek® when used by multiple care workers provides reliable measures of residents' pain levels. This is available for viewing via the PainChek Ltd website.

**Trademarks and Patents**

During the past quarter, we received the registered Trade Mark for the PainChek® name and branding/logo in Australia and progressed positively with Trade Mark approvals in other jurisdictions. Our patent application continues to progress positively through each national filing.

**FDA Progress**

We are finalizing the FDA pre-submission documentation as per the FDA guidance we received on 9<sup>th</sup> May 2018. We continue to estimate PainChek® FDA clearance will be received in line with our US commercial launch projections during 2020.

**Financial Review**

The Company's June 2018 quarterly cash flow report was lodged earlier today. The cash operating costs are forecast to increase in this coming quarter with the expansion of the Company's sales and marketing activities to achieve our stated goals.

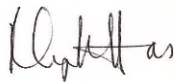
**Summary of Activities:**

The local sales and business model continue to progress very positively, and we have generated significant local sales momentum. We have a good understanding of the sales cycle and the use of trials within the sales process. We have significantly increased the rate of sales take up within the RAC sector over the past three months and start the FY2018/19 with a strong sales pipeline to generate future sales growth.

We are now entering multiple market segments, which have cross over, and will expand our market potential. PainChek® needs to be considered like a Thermometer or Blood Pressure meter in that it will be used by multiple Health Care Professionals to validate and revalidate pain levels - in many instances for the same person. The PainChek® "Shared Care" model is exciting as it will take PainChek® into the home consumer environment through our established RAC network and with HCP support.

We have strong customer satisfaction levels with high net promoter scores and this is reflected in our first contract renewal with DSA. We are also being recognised by the Australian government through Dementia Training Australia's sponsorship of PainChek® training videos and support for international expansion from both Austrade and CSIRO.

Kind regards



Philip Daffas  
CEO & Managing Director  
PainChek Ltd

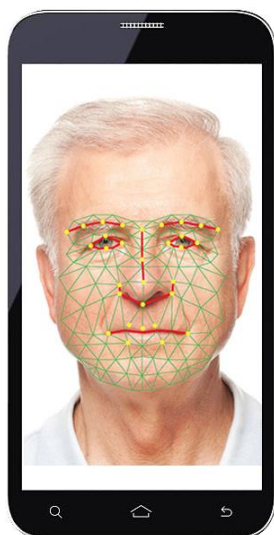
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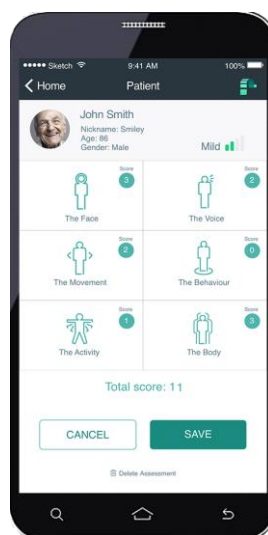
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## The PainChek® Technology:

PainChek® uses cameras in smartphones and tablets to capture a brief video of the person, which is analysed in real time using facial recognition software to detect the presence of facial micro-expressions that are indicative of the presence of pain.



*PainChek® artificial intelligence assesses facial micro-expressions that are indicative of the presence of pain*



*PainChek® six domains of pain assessment that calculates pain severity score*

This data is then combined with other indicators of pain, such as vocalisations, behaviours and movements captured to calculate a pain severity score. Due to its speed, ease of use and its reproducibility, PainChek® will be able to be used to detect and measure a person's pain, and then further measurements can be used to monitor the effectiveness of pain management.

PainChek® will be rolled out globally in two phases: first, PainChek® which is designed for adults who are unable to effectively verbalise their pain such as people with dementia, and second, PainChek® for Children who have not yet learnt to speak.