

July - September 2019 Quarterly Update

PainChek continues positive progress on all fronts with significant contract uptake for Federal Government funded trial of PainChek® in the residential aged care market

- Existing direct sales RAC clients increased from 142 RACs to 160 RACs and from 10,590 beds to 12,011 beds.
- Contract sign ups during October incorporating the Federal Government funded trial further increase total client numbers to 246 RACs and 20,616 beds respectively.
- In addition, there are another 20 RAC agreements providing an additional 22,000 beds projected to be signed in the quarter ending 31 December 2019 as part of the Government funded trial roll out.
- Company is on target to achieve delivery of PainChek® to 100,000 people living with dementia as part of the rollout of the \$5M Government funded trial during 2020.
- International market expansion continues and the Children's App trial commences in Melbourne.

Sales Performance Summary



Summary of Agreements	Cumulative No. of Contracted RAC Customers	Cumulative No. of Contracted RAC's	Cumulative No. of Contracted Beds	Monthly Recurring Revenue (MRR) * as at period end (Contracted Clients)	Annual Recurring Revenue (ARR) * as at period end (Contracted Clients)
For the 3 months ended 31 Dec 2018	18	26	1,789	11,982	143,790
For the 3 months ended 31 Mar 2019	23	34	2,542	15,384	184,607
For the 3 months ended 30 June 2019	30	142	10,590	48,897	586,767
For the 3 months ended 30 Sep 2019	36	160	12,011	54,469	654,741
For the part month to 30 Oct 2019	63	246	20,616	63,728	720,194
Normalised contracted MRR and ARR ** for the part month to 30 Oct 2019				83,332	999,984

* Monthly Recurring Revenue (MRR) and Annual Recurring Revenue (ARR) includes subscription revenue on contracts of a minimum of 12 months and excludes any on-off fees for support and training. MRR and ARR are based on contracts signed at the period end (not necessarily implemented) and include two non-RAC contracts (Dementia Support Australia and Southern Cross WA). As of 30 September 2019, the ARR is no longer a straight multiple of MRR, as we have a small number of contracts that have varying monthly revenue over the term of the contract. As of 30 October 2019, the ARR is a forward calculation of 12 months' revenue based on the pricing which will apply over that period incorporating Government trial pricing.

** MRR and ARR are calculated on a normalized basis post completion of the Government trial reflecting contracted pricing on completion of the trial assuming the contracts are not terminated after the initial 12-month term.

Local Sales Development for July to September quarter:

PainChek's sales continued to grow during the past quarter. The Company has secured additional new direct sales in Australia while focusing time and effort in advanced signings of new agreements as part of the broader roll out and commencement of the Federal Government funded trial of PainChek® in the Residential Aged Care (RAC) market.

In the quarter ended 30 September 2019, we signed six new clients comprising 18 RACs, increasing the number of contracted aged care beds from 10,590 to 12,011 and increasing the number of contracted RAC facilities from 142 to 160. In addition, the number of PainChek® clinical assessments on a cumulative basis has grown from approximately 37,000 to just under 56,000, reflecting continued strong take up and clinical use of PainChek®.

Of the six clients acquired during the quarter, the largest was Villa Marie Catholic Homes, for a total of 961 beds across 12 facilities.

In addition, we have built a strong pipeline of new aged care clients who have signed up to access PainChek® under the Federal Government trial and we will commence our implementation program immediately following execution of the government agreement. These additional clients are not included in the sales results to 30 September 2019 in the graphs and table below; however, they are included in the October numbers.

Revenue recognized in the Company's financial statements is based on contracted beds that have been implemented and are active in using PainChek®. This approach is consistent with the accounting standard for revenue recognition. At 30th September 2019 there were 5,334 active licensed beds with an ARR of \$323k.

As at 30 September 2019, there was a backlog of 6,677 beds to be implemented across several large clients and these are now scheduled for implementation in late 2019/early 2020.

Australian Government Funded Trial and new sales developments

On 29th April 2019 (see ASX release of same date) the Morrison Government announced that it will invest \$5M to fund the implementation of PainChek® in Australian residential aged care.

The funding makes provision for a universal PainChek® access license for the more than 1,000 Residential Aged Care Providers in Australia and their 100,000 residents living with dementia for a one-year period. A grant funded program is now expected to be agreed and signed in November 2019 and will continue for a one-year period from the commencement date. In anticipation of this, we started signing up a number of new clients during October who want to participate and have made excellent progress to date.

As of 30 October 2019, there are already 27 new aged care clients and 4 existing clients that have opted into the program representing a total additional 86 RACs and 8,605 beds. These agreements are typically for a 2 to 3-year period combining the government funded dementia bed program for the first year and our standard approved beds terms for the additional years. Implementation of these new agreements will commence when the government agreement is signed and increase our overall numbers to 246 RACs and 20,616 beds. This translates to around 10% of the total number of Australian RACs and RAC beds. We have also issued contracts to an additional 20 RACs covering more than 22,000 beds which we are now awaiting sign off. These agreements, once executed, will further accelerate our market penetration to around 20% of the total RACs and beds in the Australian marketplace providing a solid platform to achieve our goal to provide PainChek® access and related benefits to 100,000 people living with dementia within Aged Care in Australia within the next year.

The contracted ARR of \$720k at 30 October 2019 is not a proportional increase to contracted ARR of \$655k for clients contracted as of 30 September 2019, based on the number of beds. New clients starting under the trial are coming in at lower per bed pricing and existing clients will commence accessing the financial benefits of the trial as their current contracts come up for renewal over the next 12 months. To demonstrate the future value of these clients, the final line in the table on the first page contains the value of contracted MRR and ARR on a proforma basis reflecting our normal commercial terms (on the same client and bed basis) e.g. once all the benefits of the trial have been utilized. The normalized values of contracted MRR is \$83k and contracted ARR is \$1M, with the latter significantly higher than the contracted ARR of \$720k over the next 12 month period.

The benefit of the government funded contract is significant in that;

1. It will fast track the take up of PainChek® across aged care in Australia, providing a high level of market penetration over a relatively short timeframe and providing the benefits of PainChek® to as many residents as possible. This program will also help refine how PainChek® gets integrated into everyday clinical care in the aged residential setting working with our current and future care management software system partners in Australia.
2. While the government funding is for dementia beds only and at a discounted price to our standard pricing, once the trial has completed and the utility of PainChek® proven, we anticipate that most clients who participate in the trial will continue their contracts. The second and third years of those contracts reflect our normal commercial terms and pricing.
3. We have taken the time prior to the grant commencement to ensure we are positioned to implement and activate PainChek® rapidly, as we have established robust training programs (including online programs), signed Ward Medication Management as a training partner (refer ASX release dated 17 October 2019) and have allocated internal resources for implementation.
5. PainChek has developed a close working relationship with the Federal Ministers for Health and Ageing and the Department of Health (DoH) which we believe will hold us in good stead for the future. We have

allocated funding within the grant to conduct independent clinical outcomes studies to assess the impact PainChek® has on resident care within aged care and the impact on the use of medication. This report will be part of the conclusion of the trial to determine the long-term benefits of PainChek® and support the potential for long-term funding as part of the Government's strategic analysis of the Aged Care sector.

This significant investment is expected to trigger widespread and long-term use of PainChek® within Australian Residential Aged Care and it is already having a positive impact on our international expansion program.

Integration Partners:

We now have integration agreements in place with six of the major aged care management system providers in Australia, including Person-Centered Software, who also has a strong UK presence.

These agreements facilitate the automated documentation and data integration of PainChek® for more than 80% of the 220,000 Australian aged care beds and more than 40,000 beds in the UK. The benefit is rapid, point of care pain assessments that eliminate duplication of effort for carers giving them more time to focus on resident care.

Our integration partners have completed their development and testing programs and have deployed the PainChek® integration into production. We now have residential aged care clients from all six of the integrated care management systems gaining the benefits of the PainChek® integration. The benefits of integration will be applicable to all aged care centers who participate in the Government funded trial.

PainChek® Clinical Outcomes:

The Company has reached the stage where our growing base of RAC clients are now able to share the clinical benefits of the use of PainChek® and its impact to their residents' care. We have released three case studies from McLean Care Residential Home in Inverell, Queensland; Barossa Village for Aged Care in South Australia; and Regents Garden, Scarborough in Western Australia. A new case study from Allambie Heights Village, Northern Sydney, New South Wales is being finalized.

These case studies confirm PainChek® has become the standard tool for assessing pain and evaluating pain management strategies in residents with dementia, helping to produce significant clinical benefits including:

- Reduced resident pain levels through better assessments and more accurate treatment.
- Significant improvement in pain management and residents' behaviours, together with significant reduction in psychotropic prescription and administration as a result of PainChek® assessments.
- An increase in staff awareness of pain management, and increased staff confidence when dealing with pain in residents with cognitive impairment or dementia.

- Ease of access and administration - with easier access to stored assessments and electronic charts, there has been increased and more effective input from GPs.

International Expansion:

The Company reached a key milestone in the international expansion through the signing of binding distribution agreement with Person Centered Software UK in June 2019. Person Centered Software is based in the UK and supplies Care Management systems to more than 1,200 aged care providers, servicing over 40,000 residents. PainChek® integration into Person Centered Software's industry leading product range has been completed. Under the agreement, Person Centered Software are distributing PainChek® to their UK client base through their sales, marketing and service capabilities.

To support the UK market development, we have set up PainChek UK Ltd, as a wholly owned subsidiary of PainChek Ltd. We also recruited Peter Shergill as of 30th September 2019 in the role of PainChek UK Business Development Manager to support the PCS UK sales drive and direct sales into the UK market (Refer ASX announcement 5/9/19). Peter Shergill is a qualified pharmacist and was most recently head of sales and marketing for ICare UK, a leading provider of care management software systems to the UK aged care market. Peter is based in the Midlands in England.

In the past quarter, as part of the European Privacy requirements, we have completed and deployed a second PainChek data center within Europe utilizing Amazon's European AWS infrastructure. A localized European PainChek data center provides fast, reliable access of client data for our UK and European clients. It also means that all data collected by PainChek from those clients will be processed and stored within the EU, ensuring we meet our obligations under the General Data Protection Regulation (GDPR). This was a mandatory requirement for PainChek UK to complete prior to commencement of commercial agreements into the UK market either through PCS UK or directly. We do not expect that this requirement will be impacted by any Brexit issues in the short to medium time period. This also enables PainChek to commence sales in mainland Europe once we have partners in those markets.

PainChek UK is now well placed to progress the current PCS UK trial sites and secure new agreements with a number of potential UK clients commencing in this last quarter of calendar 2019. The PainChek UK base will also provide a platform for European market entry.

We completed our first direct sales into Singapore with Allium Healthcare in July 2019 and have made positive progress with new sales opportunities including a multi-site aged care facility in New Zealand which we believe will be executed this quarter. We continue to receive strong interest from other international markets, which will further expand our commercial progress and global market reach.

Expanding Global Market Segments:

Having established a solid base within Residential Aged Care, we are continuing to explore partnerships and distribution channels – locally and internationally to broaden PainChek® use into other market segments.

We will be focusing on hospitals, GPs, home care operators and home carer services during the remainder of 2019 and into 2020. It is estimated that approximately 25% of hospital beds are occupied by people living with dementia¹ and their stay is often longer than people without dementia. In addition, there can be delays in supporting them to leave hospital. This makes the hospital market opportunity significantly large, given the higher acuity levels of patients within the hospital sector. A recent Frost & Sullivan US and European patient hospital monitoring market research report identified pain assessment as a significant new parameter to be measured in the hospital environment:

“Pain management is an area of contention for many care providers. Many tests can only measure one pain point at a time and it is often the physician who has to make estimations about the severity of the pain.

In future, wearables to measure and monitor pain will be increasingly prevalent. This will be especially important for patient populations that cannot express how they are feeling”².

PainChek has been selected from more than 2500 early stage healthcare companies to participate in the Philips HealthWorks 2019 Global Program focused on accelerating breakthrough innovation in Patient Monitoring and Patient Care Analytics.

Philips is a leading health technology company focused on improving people's health and enabling better outcomes across the health continuum from healthy living and prevention, to diagnosis, treatment and home care. Headquartered in the Netherlands, Philips is a leader in diagnostic imaging, image-guided therapy, patient monitoring and health informatics, as well as in consumer health and home care.

The Philips HealthWorks Program kicked off in September 2019 across four Innovation Hubs (Eindhoven, Bangalore, Shanghai and Cambridge, USA), and will culminate in December 2019 with Breakthrough Day, an event during which we present our solution and journey to the Philips ecosystem.

Throughout the Program, we are working together to identify, validate and shape collaboration opportunities, and have gained access to unrivalled expertise and support from the Philips internal and external experts and their wider innovation ecosystem partners.

While there is no guarantee of a collaboration, we believe the working process has also helped PainChek to rapidly validate the significance and size of the hospital market opportunity and refine our market entry strategy for the future.

¹ Source: Dementiastatistics.Org

² Frost and Sullivan – US and European Patient Monitoring Solutions Market, Forecast to 2023 (September 2019).

Federal Drug Administration:

Following our meeting with FDA in Washington DC in June 2019 and confirmation of the De Novo regulatory classification, we have engaged with two North American agencies to support both the Human Factors and Clinical Study work required for the De Novo submission. We obtained guidance from the FDA in terms of additional validation requirements to complete the De Novo regulatory classification. We are currently finalizing the additional validation work for review with FDA. This cost of this work is within the original budgeted amount and we still anticipate completing the De Novo submission for FDA clearance for the PainChek® Adult App during 2020.

PainChek® Children's App:

The PainChek® Children's App serves a potentially even larger market than the Adult App with a large hospital market and home care market opportunity.

Globally there are more than 400 million children at any one time between the age of 0-3 years. Due to the rapid changes and development in children's faces, the PainChek® Children's App is scheduled to be delivered in 3 age group versions, with the youngest Infant App (infants 0-1 years of age) being the first developed and now undergoing clinical research.

The research agreement with Melbourne's Murdoch Children's Research Institute (MCRI) was signed in June 2019. MCRI is the largest child health research institute in Australia, and one of top three worldwide and their campus partners include Royal Children's Hospital in Melbourne and the University of Melbourne's Department of Paediatrics.

The *PainFaces* study is being led by Professor Franz Babl and Associate Professor Di Crellin in the Emergency Department (ED) of the Royal Children's Hospital. The clinical trial version of the PainChek® Infant App is being finalized for use in the study. The pain scores derived using the PainChek® Infant App will be compared to those obtained using observational children's pain assessment tools by independent assessors on 100 infants undergoing painful procedures within the ED. Completion is dependent on the recruitment of the 100 children and is currently projected for Q2/Q3 2020.

The results and learnings from the research will support applications for regulatory approval of PainChek® Infant's App with the Therapeutics Goods Administration (TGA), CE Mark, Europe, and the Food and Drug Administration (FDA) in the USA.

Patents:

In July 2019 PainChek® was granted a US patent by the United States Patent Office (Patent number US10398372) allowing PainChek to protect the intellectual property of its invention in the United States. This provides PainChek with exclusive rights to exclude others from making, using, selling or importing the invention for 20 years from the filing date in the US (17 February 2017). Our ongoing De Novo regulatory application confirms PainChek® as a first in kind from a regulatory standpoint and the granting of the US patent confirms that PainChek® is also first in kind from an intellectual property standpoint and provides a platform for growing the brand in international markets.

From a business perspective, the US is the largest medical device market in the world and has more than six million people living with dementia. Establishing our intellectual property in the US is a crucial step forward as part of protecting and growing the PainChek® brand internationally.

We continue to make positive progress with our national patent filings for the PainChek® App in all other jurisdictions including Europe, Japan, China and Australia.

Summary:

The Company progress and achievements to date are a reflection of the transformational impact PainChek® has on pain management and better medication treatment for people living with dementia and other communication difficulties.

The Company's quarterly cash report (Appendix 4C) follows. The Company has been focussed on tightly managing cash expenditure and has delivered the sales growth referred to above whilst maintaining staffing levels.

The Company has raised new capital to fund the growth planned and we thank our shareholders for their continued support and those option holders who elected to exercise their options during the quarter, which provided additional capital.

The Company continues to achieve its commercial milestones for calendar 2019 and is set for an exciting 2020 further establishing PainChek® as the new global gold standard for pain assessment in multiple healthcare market segments.

Philip Daffas
CEO – PainChek Limited
31st October 2019