1HFY19 RESULTS PRESENTATION

27 FEBRUARY 2019

AZURE
HEALTHCARE LIMITED

1HFY19 SUMMARY

AZURE HEALTHCARE LIMITED

Financial Performance	• Revenue of $14.97 million exceeds November guidance • Reported loss of $0.47 million, normalised profit of $0.26 million excluding one-off items • Cash balance as at 31 December of $2.01 million • Debt reduced by 37% to $0.41 million
Operational Highlights	• Innovative new products released, including Pulse Workflow and sophisticated integrations • Largest order book in recent history • Important contract wins in multiple regions
Outlook	• Market demand remains strong as reflected by the order book • US tariffs on Chinese imports remain a risk • Second half revenue expected to be at or slightly above first half and therefore exceed FY18

1HFY19 FINANCIAL SNAPSHOT

Revenue

$14.97m

$0.73m or 5.1% on pcp

Margin

$6.66m

Normalised $6.84m

Consistent with pcp

NPAT

($0.47m)

Normalised $0.26m

Normalised ($0.18m) or (41%) on pcp

Cashflow from Operations

$0.68m

$0.22m or 49% on pcp

Net Cash

$1.60m

($0.05m) from 30 June

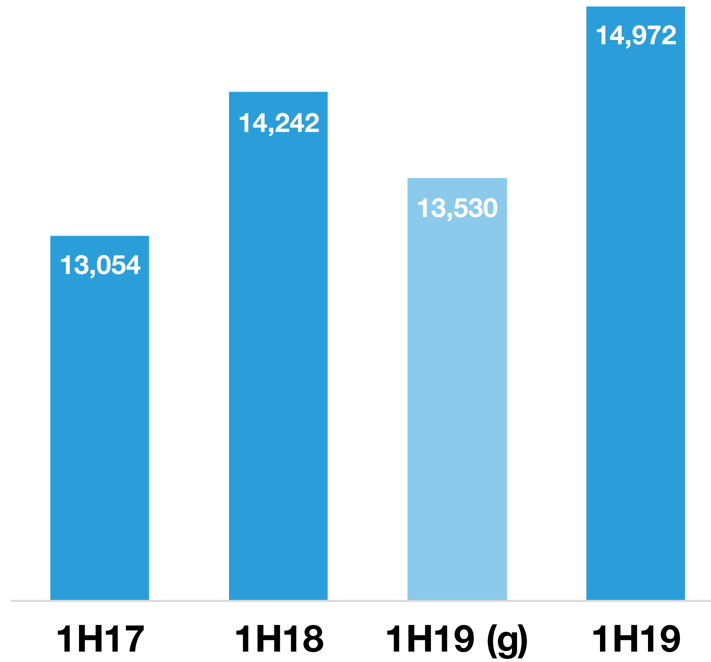
* pcp: prior comparative period

REVENUE

Continued growth in sales revenue over pcp and November '18 guidance:

- $1.44m (10.7%) above November '18 guidance
- $0.73m (5.1%) increase over 1HFY18
- 7% CAGR from 1HFY17
- Aust/NZ, Asia and Europe all reported revenue increases
- recurring software revenue growth consistent with overall growth in sales revenue of 11%

SALES REVENUE (A$000S)

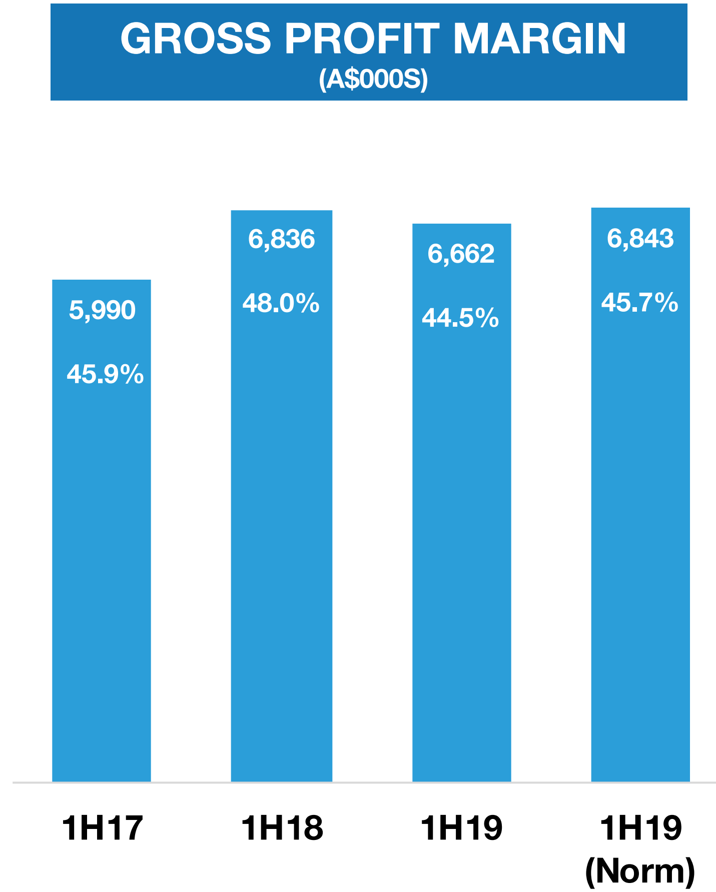


Revenue increased beyond guidance despite difficult trading conditions.

GROSS PROFIT & MARGIN

Gross margin down to 44.5% compared to 48% pcp:

- negatively impacted by rising costs of raw materials resulting from US tariff imposts on Chinese goods
- total CoGS up by 12.6% as result of increased sales and raw material cost increases
- CoGS includes one-off write-down of $0.18m in project costs
- normalising for write down increases gross margin to 45.7%



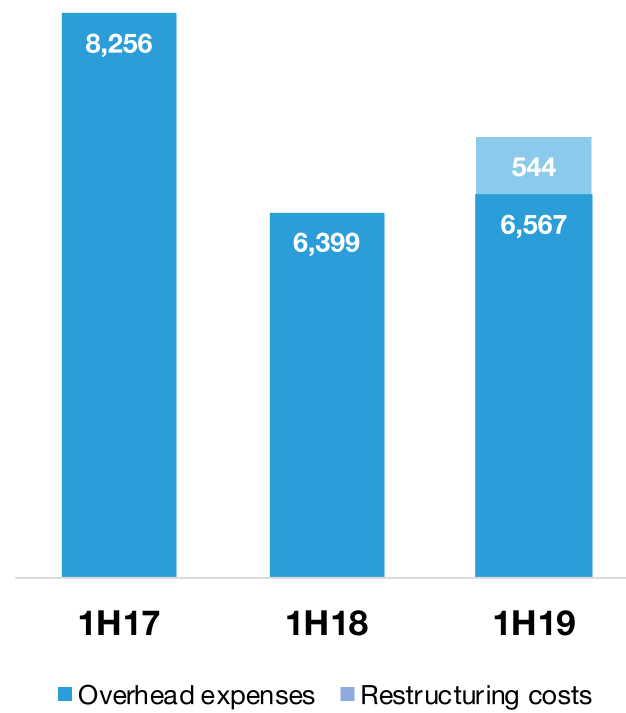
Margin impacted by raw materials issues out of China.

OVERHEAD EXPENSES

Overhead increased by $0.71m to $7.11m in 1H19:

- increase driven by large one off costs of $0.54m related to management restructuring
- normalised overhead increased 2.6% over 1H18 to $6.57m
- the business remains committed to R&D, investing a total of $1.68m in 1H19, consistent with $1.72m in 1H18
- following the policy revision announced in 2H18, $0.70m of development costs were capitalised in 1H19

OVERHEAD EXPENSES
(A$000S)



Normalised overhead costs broadly consistent with 1HFY18.

CASH & DEBT

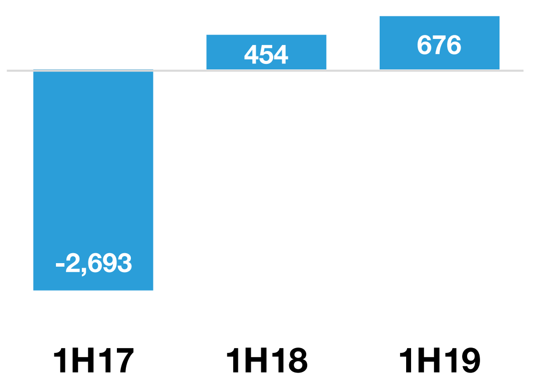
Cashflow from operations continue to improve:

- cashflow from operations of $0.68 million increased from $0.45 million in the pcp

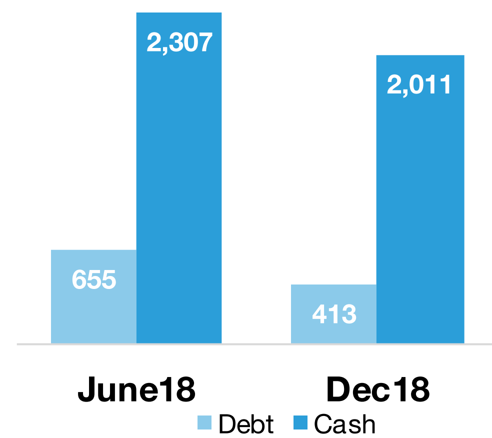
Net cash was largely unchanged over the period with a minor decrease of $0.05m from $1.65m to $1.60m:

- debt was reduced by $0.24m
- cash was reduced by $0.30m to $2.01m

CASHFLOW FROM OPERATIONS (A$000S)

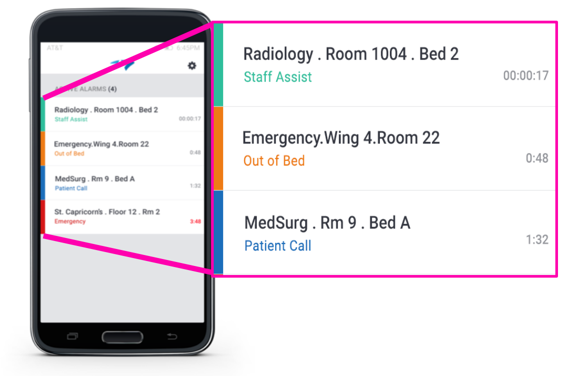


CASH & DEBT (A$000S)



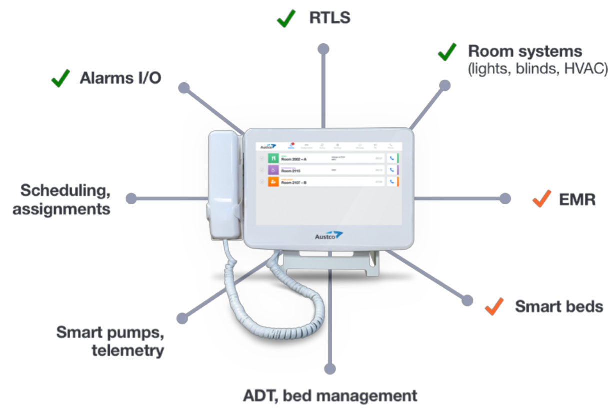
Net cashflow will be required to support fulfilment of the growing order book.

PRODUCT UPDATE



Pulse Mobile

- One of our most popular software products
- Released in FY18
- Native smart phone app
- Alarm management with further features under development



Web Services

- Open API for alarms
- RTLS complete
- Additional integrations are a longer term goal

Enhanced Reporting and Analytics

- True enterprise reporting
- Added functionality, expanded capabilities

Azure has a strong commitment to ongoing R&D for both hardware and software, with a disciplined quarterly release program.

PROGRESS ON STRATEGY

Strategic Objective	Status
Focus on high quality new products that differentiate Azure from its competitors	‣ Released new products including Pulse Workflow
Improve manufacturing efficiencies to drive further cost reductions	‣ Material requirements planning (**MRP**) system deployed
Maximise sales opportunities	‣ Added new sales partners in multiple regions
Increase revenue from subscription based software licence and maintenance agreements	‣ Growing order book for software products
Build further partnerships with market leading healthcare technology companies	‣ Established partnerships with market leading medical device vendors

➡ ***Management continues to focus on improving business efficiency and building revenue growth***

OUTLOOK

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External	Internal
• Increasing shift towards open software packages to accompany hardware • Procurement challenges will continue to be dominated by trade issues between the US and China (which will continue even after the tariff outcome is known) • A 'No Deal' Brexit will bring challenges in the UK and from the rest of the world into the UK (decision due 29 March)	• Order book remains significantly higher than forecast despite supply constraint issues • Strong demand across all geographic segments • Greater levels of investment in inventory required over next half and beyond to support growth • Second half revenue expected to be at or slightly above first half and therefore exceed FY18

While the next half may be shaped by major international policy events, we still expect 2H revenue to be at or slightly above 1H.

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