



## Chairman's Address - Annual General Meeting 2015

Good afternoon Ladies and Gentlemen,

The 2015 financial year was a challenging year as your company commenced an aggressive program of investment in technology solutions. The impact of this investment on profitability has been significant but without this investment the company's products will fall behind industry requirements and customer expectations.

### Financial performance

**Revenue:** Revenue continued to grow due to increasing customer demand for workflow and integrated software solutions. Consolidated revenues from ordinary activities increased by 11.6% to \$34.95 million compared to the previous corresponding period of \$31.31 million.

**Earnings:** The Company's policy of expensing Research and Development (R&D) costs impacted EBITDA, EBIT and NPAT returns. Net earnings before interest, tax, depreciation and amortisation, (EBITDA) were \$0.689 million (2014: \$3.88 million), whilst earnings before interest and tax (EBIT) were \$0.200 million (2014: \$3.39 million). Net profit after tax (NPAT) was \$1.093 million (2014: \$3.87 million) representing a 71.7% decrease from the previous corresponding period. The Azure Group produced earnings of 0.58 cents per share compared to 2.04 cents in the previous corresponding period.

**Net Tangible Assets (NTA):** Net Tangible assets have increased from 5.76 cents to 6.50 cents per share, an increase of 12.8%.

**Operating expenses:** Operating expenses increased by 24.9% from 2014 largely due to the increase in expenditures in research & development and warranty provisions explained above. Our Research & Development investment expenditure increased by \$2.4 million to \$5.1 million in the 2015 financial year. Increased staffing for research and development adversely impacted the Employee benefits expense line item by \$1.9 million and increased insurance expense line item by \$0.144 million whilst impairment write downs and warranty expense increased to \$0.988 million.

**Cashflow:** During the year the Company generated positive operating cashflow of \$1.87 million and finished the year with cash at bank of \$3.157 million. The Company is continuing a series of initiatives including the acceleration of R&D and expansion of production to its USA facility in the 2016 financial year.


**Final Dividend:** The directors have not declared a final dividend as the Company will continue to focus on short-term working capital requirements where necessary for production expansion, product rationalization, restructure and R&D investment.

### Strategic goals




Our very broad strategic goals for the next 12 months are to focus on our customers requirements including new technology rollouts and programs for innovation and growth; set the foundation for delivering long term sustainable shareholder value; and, adopt a culture throughout the organisation which will assist us in achieving these broad goals.

### The future

There are challenges before us but also immense opportunity. Faced with these challenges the Board and management have implemented a number of strategic actions. In 2016 we will focus on the following key initiatives to improve our business and maximise returns for our shareholders:

 Unrelenting commitment to quality in everything we do

 Continue to develop industry leading clinical software solutions that help improve patient outcomes

-  Establish a recurring revenue stream based on a subscription based pricing model
-  Build strategic partnerships with market-leading healthcare technology companies
-  Continue to streamline operational and manufacturing efficiencies including the transitioning of manufacturing from Perth to Dallas as well as product line rationalisation

### **Governance and Board composition**

A number of key Governance changes have occurred. These include the recent appointments of Mr Brett Burns as Non-Executive Director and myself as Non-Executive Chairman of your Company. This is the first time that Azure has an majority of Independent Directors as recommended by the ASX Good Corporate Governance Guidelines. This restructuring has been taken by the board in what it believes is in the best interest of the company and shareholders. I wish to thank recently retiring board members: Mr Robert Grey who acted as Executive Chairman and Mr Bill Brooks who acted as a director and chair of the Remuneration committee for 4 years during the early development of Azure. Their contribution to the Company has been significant.

### **Chief Executive Officer**

The recent appointment of Clayton Astles to the role of CEO is an important step in transitioning the company from a traditional nurse call business to a highly customer focused clinical software and workflow business. Clayton has extensive industry knowledge, and has lead our successful sales penetration in North America for the last 7 Years. Clayton has a strong understanding of our business and has the full support of all our country general managers.






### **Strategic Direction**

I have already mentioned our broad strategic goals. I now wish to briefly outline some of the strategic actions and direction of the company. The operational aspects will be more fully detailed by Clayton in his address.

We have embarked on restructuring the business operations aimed to deliver improved performance at a lower cost. We now have a more accountable structure at a lower operational cost. Management is better placed to direct the performance of the business components. Clayton has implemented management, operational and manufacturing initiatives which he will outline separately.

We understand the long term benefits and importance of R&D investment to the business and therefore have made some significant changes in this area including an additional manufacturing and R&D facility in the USA.

The Board and Management are committed to a long overdue cultural change. We aim to develop trust and respect with our customers, employees, shareholders and other stakeholders. The key aspects of this are:

-  Open and honest communication
-  A focus on achieving results
-  The enhancement of our capabilities
-  Clear goals
-  Responsibility and accountability

The Board views open and honest shareholder engagement as a high priority. Regular updates with shareholders as well as shareholder access to Directors and senior management as a necessity.

### **Outlook and guidance**

For the next 12 months the Company expects to:

- Continue to restructure operational and manufacturing processes
- Maintaining its current high level of R&D investment.
- Rationalise product lines from 900 items to 300.

These initiatives include some non-recurring items, which are necessary to achieve the Company's stated objectives. The Directors believe the Company is well placed to take advantage of future market opportunities

within the healthcare and clinical workflow solutions arena. The Company is therefore expecting an operating loss in the range of \$0.3 to \$0.45 million for the 6 months ended 31 December 2015.

I would like to thank our shareholders and customers for their loyalty and to our team, who have embraced the changes that have been, and are being, implemented.

**Graeme Billings**

Chairman  
Azure Healthcare Limited