



ASX release

29 August 2016

## **FY2016 results H2 sales up 29% on pcp**

AtCor Medical Holdings Limited (ASX:ACG), the developer and marketer of the SphygmoCor® system which measures central aortic blood pressures and arterial stiffness non-invasively, today released its FY2016 results. Sales were \$5.0 million, 8.3% lower than the previous corresponding period (pcp). Following a difficult first half, sales increased in the second half to \$3.3 million, up 29% compared to the pcp.

Clinical unit placements, on which AtCor has focused since introduction of the US CPT1 code which covers the SphygmoCor test, increased significantly in the second half. H2 clinical sales were up more than 120% on H1 sales. In the April quarter which was the first full quarter of sales after reimbursement was confirmed, 25 SphygmoCor units were sold or leased to clinical practices, more than double the sales of the pcp and in line with expectations.

AtCor CEO Duncan Ross said: "We are pleased by the strong rebound in the second half. This includes initial clinical unit sales growth which followed confirmation of reimbursement by Medicare in February/March this year. We have increased our specialist sales team to scale up for a targeted roll-out focused on four US metropolitan areas to accelerate sales. We are encouraged by this sales growth, as well as increasing use of SphygmoCor in leading regional health system centres of excellence. We have strong support from key opinion leaders and clinical practice sales opportunities under management are consistently growing, indicating a solid growth trajectory."

### **Key highlights and trends - favourable environment for SphygmoCor sales**

**Reimbursement:** Many Medicare regions, State-based Medicaid plans and nine private insurers (seven regional and two national) have already initiated reimbursement on the SphygmoCor test, covering 126 million patients or 43% of the US insured population. This is well ahead of management expectations and the number of covered lives is expected to grow in FY2017.

**Health economics; focus on reducing cardiovascular disease and costs:** For several reasons including the expiration of insurance companies' subsidies under the Affordable Care Act (Obamacare), some private health plans are expected to raise insurance rates as high as 40% in CY2017. As a result there is intense political and payer pressure to reduce high cost disease states. The direct and indirect cost to the US economy of hypertension and its related disease states such as stroke and heart failure is estimated at US\$700 billion per annum. This is the disease category which consumes the highest level of spending, and the payers' top target for savings. Payers offer financial incentives and impose penalties which impact doctors managing patients with high-cost disease states. Medicare's Million Hearts Program is one example. As a relatively low cost, data-rich, non-invasive system, SphygmoCor is well positioned to take advantage of the positive environment for early disease identification and early, proactive, low cost treatment.

**The growing trend to establish Hypertension Centres of Excellence:** Several flagship hospital systems have refocused operations to prioritise hypertension management, creating hypertension centres of excellence in their facilities. This presents an opportunity for AtCor. Two centres, Emory University Healthcare, and the Minneapolis Heart Institute, are already incorporating SphygmoCor into their diagnosis and treatment practices. The 2016-2017 US News and World Report top 20 Hospitals Honour Roll are all SphygmoCor users.

**A strong clinical sales team as a foundation for growth;** In addition to new hires increasing the US clinical sales team to four in May and June, AtCor hired a vice president of US sales and a marketing director. At the current stage of market development, the company's goal is for each

fully trained representative to sell or lease an average four systems per month. AtCor also plans to expand its presence beyond the initial four metropolitan areas that it is targeting once the sales model is fully implemented, with further rollout guided by the geographic concentration of reimbursed lives.

**Intellectual property:** AtCor's application for the patent covering its process for capturing and deriving central pressure waveforms using a blood pressure cuff at the arm was accepted in both Japan and USA, and gives AtCor protection until 2031. An application is in progress for selected European countries. AtCor has eight current patents and has two patents pending protecting various aspects and applications of its technology.

**Oscar 2 with SphygmoCor inside:** The jointly developed and marketed Oscar 2 with SphygmoCor inside ambulatory blood pressure monitoring device was reviewed by the US Food and Drug Administration (FDA) and cleared for sale in USA. This product is available for sale in USA, Canada, European Union, Australia and various Asian countries. In FY2016 AtCor sold over 60 systems, which is encouraging.

**Emerging partnering opportunities with large cap medical device companies:** AtCor continues to explore new applications for SphygmoCor in high-value disease states. These include collaboration with the Mayo Clinic using SphygmoCor in heart failure. These opportunities are discussed in more detail in the CEO's report accompanying the results.

AtCor is encouraged by its initial growth in clinical sales, adoption of SphygmoCor by leading regional health systems and the strong interest of potential purchasers. Key opinion leader support for central blood pressure measurement performed by SphygmoCor is strong and growing, and publications concerning the benefits of managing patients using central aortic pressure measurements are increasing.

### **About AtCor Medical**

AtCor Medical develops and markets products for the early detection of target organ damage and management of cardiovascular and renal disease. Its technology allows researchers and clinicians to noninvasively measure the central arterial pressure waveform, central aortic pressures and pulse wave velocity. Central arterial pressure waveform analysis, as measured by the company's SphygmoCor system, provides clinicians with better prognostic and diagnostic information to determine the need for and type of interventions, effects which cannot be detected with standard brachial blood pressure measurements.

More than 4,000 SphygmoCor® systems are currently in use worldwide at major medical institutions, research institutions and in various clinical trials with leading pharmaceutical companies. The company's technology has been featured in over 1,000 peer-reviewed studies published in leading medical journals and thousands of citations. AtCor Medical has operations in Australia, the United States, and Europe. For further information, please visit our web site at [www.atcormedical.com](http://www.atcormedical.com).

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