PACIFIC EDGE INTERIM RESULTS TO 30 SEPTEMBER 2016

Number of Wins For Pacific Edge As It Ramps Up Activity In The USA

- Results in line with previous growth and annual trends, with a softer first half year and a stronger second half year.
- Number of significant commercial achievements, and notable progress being made with Pacific Edge's identified transformational customers.
- Continuing to work through the required processes to bring transformational customers on board as commercial customers, each of which could result in a quantum leap in sales revenue.
- Total revenue of $3.8m, up 42% on prior comparative period (pcp). Second half revenue expected to ramp up in line with annual trends.
- Operating revenue of $3.0m, up 67% on pcp, with growing sales from both existing and new customers.
- Reported loss of $11.3m for the half year period (including non-cash, non-recurring expense of $2.9m in relation to the wind up of the Employee Incentive Scheme), in line with management expectations.
- Total Laboratory Throughput of 5,622 tests, up 72% on pcp due to growing commercial sales and new User Programmes.
- Total Operating Expenses of $15.1m (including non-cash, non-recurring $2.9m expense) reflects continued investment into growth, particularly in the USA.
- Net operating cashflow of $(9.1)m was at a similar level to the previous two half year periods.
- Cash and cash equivalents of $14.6m as at 30 September 2016.

Cancer diagnostics company, Pacific Edge Limited (NZX:PEB) has announced a solid first half result for the six months to 30 September 2016 as it continues to ramp up activity in the USA, with a number of significant commercial achievements in the six month period.

As expected, revenue in the traditionally softer first half was a significant improvement on the prior comparative first half period (pcp)[1]. Total revenue was $3.8m, up 42% on the pcp, and reflects a negative impact from the stronger NZD/USD exchange rate and reduced grant income due to changes under the Callaghan Innovation Growth Grant Scheme. Operating revenue was $3.0m, up 67% on the pcp. FY17 second half revenue is expected to ramp up in line with annual trends.

Revenue is being driven by increasing commercial sales of Pacific Edge's Cxbladder tests, from both existing and new customers, predominantly in the USA. The majority of revenue comes from existing customers, mostly smaller urologist practices, with no contribution yet from the recent new customers - the Veterans Administration (VA) and TRICARE. In addition, in the USA, first half FY17 growth has been driven from sales of Cxbladder Detect only, with Cxbladder Triage only becoming fully available in the USA late in the first half and Cxbladder Monitor available commercially in the upcoming second half of FY17.

While a smaller market, New Zealand has also delivered strong revenue growth, up 187% on last year's first half revenue, as a result of uptake by both private and public healthcare providers and increased insurance coverage.

[1]The first half of the financial year is traditionally softer for Pacific Edge, due to the USA summer holiday period and also as it is usually before Americans with private health insurance reach their deductible level (the amount a patient must pay before their insurance kicks in).

Total Laboratory Throughput for the FY17 half year period, which includes commercial sales as well as tests as part of User Programmes, was 5,622 tests, an increase of 72% on the pcp and 11% on the second half of FY16. This reflects growing commercial sales and new User Programmes offsetting the drop in tests following the completion of the large Kaiser Permanente User Programme during the half year.

Revenue is outgrowing expenses by almost 2 to 1. Pacific Edge is benefitting from an expanded USA sales team (from 12 to 18 sales executives compared to the pcp) which was the primary driver of the increase in cash expenses to $12.1m in the first half FY17, as well as investment into South East Asia and ongoing product development. A non-cash, non-recurring expense of $2.9m in relation to the wind up of the Employee Incentive Scheme was also included in total operating expenses of $15.1m.

Net operating cashflow of $(9.1) million was at a similar level to the previous two half year periods, with a 232% increase in receipts from revenue and grant income compared to pcp, offsetting the higher first half FY17 expenses. As at 30 September 2016, Pacific Edge had cash and cash equivalents of $14.6 million.

Overall, Pacific Edge reported an $11.3m loss for the FY17 half year period, in line with management expectations.

With the majority of earnings being generated in the USA, the half year results also reflect the impact of the stronger USA dollar, with the exchange rate moving between NZD/USD 0.63 to 0.76 over the period.

Chairman of Pacific Edge, Mr Chris Gallaher, said: “Pacific Edge is now well on the road to full commercialisation. The USA healthcare market is complex and challenging, however we continue to make very good progress and the opportunity remains the most significant for the company.

“Achievement of our financial goals is dependent on acceptance and uptake by the large USA healthcare organisations we have identified as transformational customers. Their decision to accept and adopt a new product for clinical use can be a lengthy process and outside of our direct control. However, we are well advanced in our commercial progress with these organisations, having signed the Federal Supply Schedule and entered into contract with the VA, entered into contract with TRICARE and successfully completed the Kaiser Permanente User Programme. While this has taken longer than we originally anticipated, each one of these could result in a quantum leap in sales revenue as we bring them on board as commercial customers.”

CEO and Managing Director of Pacific Edge, David Darling, commented: “We have generated year on year sales growth and delivered a number of significant commercial achievements in the first six months of FY17, as we ramp up activity in the USA and our other markets.

“Following the signing of a Federal Supply Schedule agreement in February 2016, marketing and sales activity is now underway with selected VA healthcare providers. We also recently entered into contract as a provider in the TRICARE Health Plan, which covers beneficiaries under the USA Military Health System.

“We are well down the track with Kaiser Permanente, with positive and compelling results from our analysis of the large scale User Programme which has recently completed. We continue to follow the regulatory process to gain coverage with the Centers for Medicare and Medicaid (CMS) and are progressing well.

“We are seeing a steady increase in customer numbers and have a growing number of clinicians trialling and using our products through User Programmes, which is an essential part of the clinical adoption cycle.

"We continue to invest into product development, with our third product, Cxbladder Monitor, expected to move from soft launch to full scale commercial launch in the USA in the third quarter of this financial year, and our fourth product, Cxbladder Resolve (previously branded Cxbladder Predict) expected to launch in New Zealand at the end of this year.

"The New Zealand market has now reached a tipping point with a growing number of public and private healthcare organisations adopting Cxbladder tests, and increasing coverage from private insurance providers. The adoption of our products by several large public District Health Boards (DHBs) in recent months is indicative of the growing acceptance of our 'one stop shop' of Cxbladder products. Of most significance is the shift in clinical behaviour to replace some of the existing tests and procedures with our accurate, cost effective and non-invasive Cxbladder products, providing an increase in both patient and clinical utility.

"We commenced our partnership with Tolmar in Australia earlier this year and their specialist sales force is working to build awareness and trial of our products with urologists and healthcare organisations.

"South East Asia is a new opportunity for us and we are targeting both people with haematuria and bladder cancer, as well as the large population of medical tourists. We have now established a commercial base in Singapore, as our entry point to the region, with User Programmes announced with two leading hospitals.

"Pacific Edge is well positioned for continued growth, with increasing product recognition, clinical validation and adoption by large customers in our targeted markets. We expect to report a strong second half uplift in line with annual trends."

ENDS

For more information contact:
David Darling
Chief Executive Officer
Pacific Edge Ltd
P: +64 (3) 479 5800

OVERVIEW www.pacificedge.co.nz www.pacificedgedx.com
Pacific Edge Limited (NZX: PEB) is a New Zealand publicly listed, cancer diagnostic company specialising in the discovery and commercialisation of diagnostic and prognostic tests for better detection and management of cancer. The company is developing and commercialising its range of Cxbladder bladder cancer tests globally through its wholly owned central laboratories in New Zealand and the USA. The company's products have been tested and validated in international multi-centre clinical studies.

Pacific Edge has three proprietary, novel, accurate, molecular diagnostic products in-market providing actionable results, and better detection and management of urothelial cancer. Cxbladder Detect and Cxbladder Triage are available through the company's dedicated CLIA certified laboratories for customers in New Zealand, Australia and the USA. Cxbladder Monitor launched in New Zealand in December 2015 and is anticipated being available in the US in 2016.

ABOUT Cxbladder Triage www.cxbladder.com
Cxbladder Triage combines the power of the genomic biomarkers with additional phenotypic and clinical risk factors to accurately identify patients with haematuria who have a low probability of bladder cancer and may not require a more extensive urological evaluation. Cxbladder Triage is a tool for use by clinicians and physicians in primary evaluation of patients with hematuria and is intended to reduce the need for an expensive and invasive work-up in patients who have a low probability of having urothelial carcinoma.

ABOUT Cxbladder Detect www.cxbladder.com

Cxbladder Detect enables the non-invasive detection of bladder and other urinary tract cancers from a small volume of a patients' urine. Cxbladder Detect was launched in 2013 in the USA and is commercially available in New Zealand, Australia and the USA as a Laboratory Developed Test (LDT) from the company's CLIA certified laboratories. Cxbladder Detect provides physicians and clinicians with a quick, cost effective and accurate measure of the presence of the cancer as an effective adjunct to cystoscopy.

ABOUT Cxbladder Monitor www.cxbladder.com

Cxbladder Monitor, the third test in the Cxbladder portfolio for urologists, is a proprietary, non-invasive, molecular diagnostic test that combines genomic biomarkers measured from a small quantity of a patient's urine, with patient specific clinical factors to better monitor bladder cancer patients for recurrence. Bladder cancer has a recurrence rate of 50-80% and requires life-long surveillance. Cxbladder Monitor accurately identifies patients with a prior history of urothelial cancer (UC) whose Cxbladder Monitor score shows that they have a low probability of recurrent urothelial carcinoma. Cxbladder Monitor is designed to be used as the preferred adjunct test to cystoscopy in the management of patients for ongoing evaluation of recurrent bladder cancer.

Refer to www.cxbladder.com for more information.