

## ASX ANNOUNCEMENT

ASX Market Announcements  
Australian Securities Exchange Limited  
20 Bridge Street  
SYDNEY NSW 2000

### **QUARTERLY REPORT – APPENDIX 4C FOR THE PERIOD TO 30 JUNE 2018**

Admedus Limited (ASX:AHZ) has today released its Appendix 4C – Quarterly Cash Flow report for the quarter ending 30 June 2018.

#### **HIGHLIGHTS THIS QUARTER:**

- A Placement and Share Purchase Plan (SPP) was completed during the quarter, securing \$8.76 million (before costs) in additional investment.
- The company delivered record revenue of \$6.6 million for the quarter. This represents a 29% increase over the prior comparative period (PCP) and strong market share growth.
- ADAPT® sales of \$2.7 million for the quarter grew by 42% over the PCP, largely driven by growth in North America.
- The North American ADAPT® business delivered record sales in May and June, resulting in growth for the quarter of 56% compared to the PCP. Single-month sales in June resulted in 90% growth PCP.
- CardioCel 3D® sales grew by 62% on the previous quarter following its official launch in quarter one.
- VascuCel® delivered an increase of 213% compared to sales for the PCP.
- New distribution agreements were signed in Spain, Portugal and Italy, further expanding the company's revenue opportunities in Europe.
- Regulatory approval delays in Europe and the Emerging Markets impacted the timing of expected forecast revenue for the ADAPT® portfolio.
- The Infusion business grew 22% during the quarter compared to the PCP.
- A Memorandum of Understanding (MOU) was signed with Hong Kong investor Star Bright Holdings Ltd for the future funding of Admedus Vaccines which will result in renewed activity on the immunotherapies clinical development programs and represent significant upside for Admedus Limited.
- The Transcatheter Aortic Valve Replacement (TAVR) project progressed to animal studies following the signing of an agreement with a leading European reference laboratory for trials to commence in the third quarter. In addition, multiple new TAVR patents were filed in the United States.
- Acceleration of 3D pipeline products with several launches now due in the second half of 2018, including VascuCel 3D®.

## **CORPORATE ACTIVITIES AND CASH FLOWS**

Corporate activities this quarter focused on consolidating key functions and territories. The Company addressed resourcing requirements for the Europe and Infusion business units and streamlined its global Human Resources and Information Technology operations. It also held an Annual General Meeting for the July to December 2017 period to complete its transition to a calendar financial year that better aligns reporting dates to sales activities. The cash balance at the end of the quarter was \$4.4 million with operational expenditure in line with expansion activities and increasing slower than revenue growth.

### **\$8.76 million raised via Placement and SPP**

The company was pleased to welcome new investors during this quarter, following a share Placement of \$6.0 million (excluding costs) via the issue of 20,000,000 shares. Admedus Company Directors took up the opportunity to participate in the Placement, purchasing 2,333,333 (\$0.7 million) of these shares which were issued following shareholder approval at an Extraordinary General Meeting (EGM) on 28 June 2018.

A further \$2.76 million was raised from a SPP offered to existing investors, at the same issue price as the Placement.

These funds will enable the company to expand and progress strategic research and development projects, including the acceleration of its TAVR and 3D product portfolio from development to commercialisation.

### **Board Appointments**

Chief Financial Officer and Company Secretary, Catherine Costello was appointed interim Executive Director following the resignation of Mr Mathew Ratty. The recruitment process for a new permanent Director appointment is underway.

## **QUARTER DELIVERS RECORD REVENUE AND STRONG MARKET SHARE GROWTH**

Admedus achieved strong results across all areas of the business this quarter, delivering record revenue of \$6.6 million. Also during this period, the company increased market penetration in key regions, accelerated the development of cutting-edge new products and further optimised global commercial operations to achieve sustainable growth for the future.

### **ADAPT®**

#### **North America**

Following a strategic review, and with a predominantly new field force for the quarter, the ADAPT® North American team delivered record sales in May and June with overall quarter growth of 56% compared to the PCP; the growth in June was 90% when compared to the PCP. This was driven by a 61% increase in productivity (customer contacts).

Our newest product, CardioCel 3D® grew by 62% on the previous quarter following its official launch in quarter one, and Vascel® delivered an increase of 213% compared to sales for the PCP.

The company made the strategic decision to continue with an intensive education program during the rollout of CardioCel 3D®. During this quarter, specially qualified Clinical Business Managers trained and supported 34 surgeons to facilitate its implementation and successful

patient outcomes; this cohort represents 59% of the surgeons in the targeted top-tier speciality centres that perform complex arch repair.

This unique program resulted in more than a 100% increase in demand for CardioCel 3D® from April to June, and an increase in sales and education penetration in a quarter of the total facilities performing complex arch repair. The company anticipates this uptake to continue and accelerate as surgeons become familiar with the application of CardioCel 3D® in the clinical setting.

## **Europe**

European operations were significantly overhauled during the quarter. Under the guidance of the Regional Vice President, the team executed new distribution agreements for Spain, Portugal and Italy, and established a new regional headquarters in Geneva (the European centre for major device companies). The company implemented significant improvements to the field force which started to pay dividends towards the end of the quarter.

Despite these positive developments, European sales were significantly impacted by gaps in the field as a new team was recruited across multiple countries. A substantial and unavoidable impact to revenue was also caused by delays in regulatory approvals to launch CardioCel 3D® and VascuCel®. Surgeons in the region have expressed high levels of interest in these products which are expected to deliver a steady increase in demand once approval is granted. Approvals for VascuCel® and CardioCel 3D® are expected now later in the second half of 2018.

## **Emerging Markets**

The Middle East and North Africa (MENA) region was a highlight for Emerging Markets with growth of 304% compared to the previous quarter.

Emerging Markets performed well but growth was hindered by delayed Therapeutic Goods Administration (TGA) approval to launch ADAPT® in Australia which was anticipated during this quarter.

This delay directly impacts revenue for Australia but also inhibits entry into other emerging markets such as Thailand, Taiwan, Vietnam and the Philippines, who favour applications with home market approval. Admedus has complied with all aspects of the stringent TGA process and remains confident of securing approval in the second half of this year.

## **INFUSION DELIVERS GROWTH**

The Infusion business grew by 22% this quarter compared to the PCP, recording sales of \$3.9 million for the quarter.

During this time, the Infusion business also underwent a review to assess and realign its capabilities, organisational footprint and product portfolio which resulted in a change to our supply network that is expected to reduce top-line revenue by \$2 million for the financial year.

This realignment has no impact on Admedus' distribution of innovative infusion pumps and PCA devices sold to major hospitals.

The Infusion business continues to assess new product opportunities to strengthen the portfolio and its revenue potential.

## **NEGOTIATIONS ENTER NEXT STAGE FOR IMMUNOTHERAPIES**

Admedus is progressing towards a long-term funding arrangement for Admedus Vaccines Pty Ltd, having executed a MOU with Hong Kong investor Star Bright Holding Ltd (Star Bright).

Under the terms of the MOU, a new company, to be funded by Star Bright, will be established with Admedus retaining 29.1% ownership in the new entity fulfilling our previous commitment to secure alternative, long-term funding. Wayne Paterson will be appointed Chairman of the Board, for a minimum of five years. Professor Ian Frazer will provide Principal Researcher and Chief Scientific Officer services to the company. This new development will allow renewed progress for the Immunotherapies team and their clinical work and represents significant upside for Admedus in the future, without additional investment from Admedus Limited.

## **GROWING THE PRODUCT PIPELINE**

Research and development (R&D) investment in this quarter was almost double the prior quarter, enabling the progression of strategic development projects, such as the TAVR device. Investments in R&D remain modest but focussed on progressing near-term revenue drivers and mid-term value drivers.

These expenses are necessary to deliver new products to the market and this was a major driver behind the decision to raise additional investment during this period. Continued investment is critical to accelerating and bringing these opportunities to market and driving market expansion and revenue growth.

### **Progress continues for TAVR and single-piece valve Projects**

In a major milestone, Admedus' novel single-piece valve passed over 400 million cycles, equating to 10 years of use. This represents the first time in the world a single-piece ADAPT® valve has ever achieved this level of durability. Admedus also signed a contract to conduct its first animal trials in a leading European reference laboratory commencing early in the next quarter. This study will provide critical data for future development of the project.

The company continues to file additional patent applications which relate to various aspects of valve design and function, as well as advancements in catheter engineering.

### **Key Appointments**

Mr Mike Oswell was appointed to the newly created role of Vice President, Development to drive this key project and enable Admedus to break into the estimated US\$3.5B TAVR market.

## **OUTLOOK**

With ADAPT® revenues continuing to post monthly records across key regions, the rapid advancement of our 3D portfolio, TAVR and SAVR projects, and several other catheter-based projects, we look forward to continued growth through the second half of 2018 and into 2019.

The regulatory approval delays in Europe and the Emerging Markets as well as the restructuring of the European operations will have an impact on the timing of expected forecast revenue for the ADAPT® portfolio. Coupled with the realignment of the Infusion product portfolio, the Board now anticipates revised revenue of between \$25 - \$27 million for the full financial year.

The revised guidance represents annual revenue growth of between 17% and 26%, with the ADAPT® portfolio forecast to grow at between 53% and 81% on the prior calendar year.

Infusion forecast revenue remains flat for the second half, compared to calendar year 2017, as a result of changes to its product portfolio for the second half following the conclusion of a supplier distribution agreement. This highlights the strength of and growth in the remainder of the Infusion portfolio and ability to bring new product offerings to market.

This guidance assumes no material change in market activity levels and foreign exchange rates and no material adverse events in the company's business activities for the remainder of the financial year.

## **SUMMARY**

This was a record quarter for the company that brought opportunities and challenges which will drive equally strong performance in the second half. Both the Infusion and ADAPT® business units performed strongly.

While we did not meet our ambitious targets for this quarter, we have continued to build upon a solid foundation as we create a sustainable business with large future upsides. Delays in regulatory approvals in the Emerging markets as well as Europe significantly impacted our top line as did delays in rebuilding sales teams in certain geographies. We consider these short-term issues to be alleviated in the coming quarters as we scale up.

The portfolio was accelerated with new product entries (and revenues) expected in the second half. This includes significant advancements in the development of our single piece aortic valves which will revolutionize the multibillion-dollar TAVR and SAVR space upon launch.

The Infusion business continued to grow and provide a solid and consistent source of revenue, and we look forward to exploring new opportunities to build on the portfolio and expand into new products and territories.

The company is poised to hit new records for the ADAPT® business in the second half of 2018 both in terms of product entries and revenues. We continue to build an innovative global health care company that has the potential to lead the sector with the appropriate level of resources. Revenue per head count for the ADAPT® business has now increased by approximately 150% since the full Company restructure two years ago. The strategic foundation has been laid down that will ensure significant revenue growth and continued global expansion in the future.

Yours faithfully

A handwritten signature in black ink, appearing to be "Wayne Paterson", written in a cursive style.

Wayne Paterson  
Chief Executive Officer

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity:** Admedus Limited

**ABN** 35 088 221 078

**Quarter ended (“current quarter”)**

30 June 2018

<b>Consolidated statement of cash flows</b>		<b>Current quarter</b>	<b>Year to date</b>
		<b>\$A'000</b>	<b>(6 months) \$A'000</b>
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	7,598	14,374
1.2	Payments for		
	(a) research and development	(901)	(1,442)
	(b) product manufacturing and operating costs	(3,956)	(7,361)
	(c) advertising and marketing	(266)	(410)
	(d) leased assets	-	-
	(e) staff costs	(6,254)	(11,455)
	(f) administration and corporate costs	(2,029)	(4,163)
1.3	Dividends received		
1.4	Interest received	-	34
1.5	Interest and other costs of finance paid	(144)	(290)
1.6	Income taxes paid		
1.7	Government grants and tax incentives		
1.8	Other (provide details if material)		
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(5,952)</b>	<b>(10,713)</b>
<b>2.</b>	<b>Cash flows related to investing activities</b>		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(335)	(420)
	(b) businesses (see item 10)		
	(c) investments	-	(400)
	(d) intellectual property		
	(e) other non-current assets		
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment		
	(b) businesses (see item 10)		
	(c) investments		
	(d) intellectual property		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(335)</b>	<b>(820)</b>

<b>Consolidated statement of cash flows</b>		<b>Current quarter</b>	<b>Year to date</b>
		<b>\$A'000</b>	<b>(6 months) \$A'000</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	8,761	8,761
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options	(459)	(459)
3.5	Proceeds from borrowings		
3.6	Repayments of borrowings	(500)	(500)
3.7	Transaction costs related to loans and borrowings	-	(28)
3.8	Dividends paid		
3.9	Other (provide details if material)		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>7,802</b>	<b>7,774</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	2,805	8,255
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(5,952)	(10,713)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(335)	(820)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	7,802	7,774
4.5	Effect of movement in exchange rates on cash held	106	(70)
4.6	<b>Cash and cash equivalents at end of quarter</b>	<b>4,426</b>	<b>4,426</b>
<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b>	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
	at the end of the quarter (as shown in the consolidated statement of cash flows) to the relate items in the accounts		
5.1	Bank balances	4,315	2,640
5.2	Call deposits	111	165
5.3	Bank overdrafts		
5.4	Other (provide details)		
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>4,426</b>	<b>2,805</b>

**6. Payments to directors of the entity and their associates**

6.1 Aggregate amount of payments to these parties included in item 1.2

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter  
\$A'000**

817

-

Director fees and CEO remuneration

<b>7. Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

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<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	10,000	5,000
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	107	107
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

<ul style="list-style-type: none"> <li>Partners for Growth: <ul style="list-style-type: none"> <li>\$5m secured term loan, fully drawn Interest rate: 11.25%<sup>1</sup></li> <li>\$5m secured revolving line of credit, undrawn Interest rate: 9.75%<sup>1</sup></li> </ul> </li> <li>ANZ Financial guarantees - \$107k</li> </ul> <p><sup>1</sup> A higher interest rate is payable if interest is not paid on time and fees may apply for multiple late payments</p>
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<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	1,043
9.2 Product manufacturing and operating costs	3,058
9.3 Advertising and marketing	333
9.4 Leased assets	-
9.5 Staff costs	6,029
9.6 Administration and corporate costs	1,504
9.7 Other (repayment of borrowings & interest)	606
9.8 <b>Total estimated cash outflows</b>	<b>12,573</b>

<b>10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Disposals</b>
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

## Compliance statement

1. This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
2. This statement gives a true and fair view of the matters disclosed.



Sign here: ..... Date: 31 July 2018

Company Secretary

Print name: Catherine Costello

## Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

### About Admedus Limited

Admedus (ASX:AHZ) is a medical technologies company delivering clinically superior solutions that help healthcare professionals create life-changing outcomes for patients. Our focus is on investing in and developing next generation technologies with world class partners, acquiring strategic assets to grow product and service offerings and expanding revenues from our existing, profitable medical sales and distribution business. The company has assets from research & development through clinical development as well as sales, marketing and distribution.

Website: [www.admedus.com](http://www.admedus.com)

Twitter: @Admedus

Facebook: [www.facebook.com/pages/Admedus](https://www.facebook.com/pages/Admedus)

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