

SphygmoCor  
AtCor Medical



# Investor Update

May 2016

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# AtCor Value Proposition

**Built & positioned for sustainable growth**

## **US CPT1 code breakthrough positions AtCor for strong US market growth**

- Opens >US \$800m clinical practice market for AtCor (160m per annum at replacement)
- Favourable metrics for doctors practice

## **Hypertension a leading cause of premature death & disability**

- 70m American adults have hypertension (high blood pressure)
- Additionally an estimated 1 in 3 Americans are pre-hypertensive
- US private payers and government strongly focused on incentivising doctors to reduce cardiovascular disease

## **AtCor's SphygmoCor system is the market leader**

- Relatively low cost, information rich tool to both identify disease early and optimise drug therapy
- Recognised as global gold standard in its field
- Applicable to many products/market segments

## **Solid clinical footing**

- Over 1,000 peer-reviewed publications utilising SphygmoCor
- More than 4,000 systems in use globally to date
- Deep relationships with key opinion leaders

## Substantial Progress Over Past 120 days

Setting up for long term growth

### January

- Medicare fee schedule active
- VP Sales Americas & Director of US Marketing commenced

### February

- 7 Medicare regions confirmed
- 4 private health plans initiate reimbursement
- AtCor leasing program launched
- Commenced controlled roll-out in high target regions with 2 representatives
- Patent awarded in Japan – central waveform with brachial cuff

## Substantial Progress Over Past 120 days (cont...)

### Setting up for long term growth

#### March

- Medicaid coverage confirmed in 20 states
- Telemarketing campaign initiated - qualified leads in targeted geographies
- New AtCor website launched
- Patent awarded in USA – central waveform with brachial cuff

#### April

- 3 additional private health plans initiate reimbursement
- Third sales rep commenced

## Planned Activities Over Next 12 Months

### Growing the business

#### **Accelerate clinical market penetration**

- Increase direct sales force to optimize opportunity in high target regions
- Continue/expand health plan coverage

#### **Measure & fine tune best practices as clinical rollout progresses**

- Practice specialty, practice size, payer mix, test volume, avg days to close capital sale & lease, others
- Sales rep profile; background & experience, relationship versus transactional selling, others

#### **Pilot a distribution model**

- Lead generation and order taking
- Support direct sales team – drive productivity

## Planned Activities Over Next 12 Months (cont...)

### Growing the business

#### Pharmaceutical market

- Greater adoption in clinical practice will support need to test drugs pre-market
- Diversification of drug classes
- Recent trials included gout, COPD, diabetes and psoriasis

#### Complete and publish ongoing heart failure trials

- Expands on positive results from 2014 trial with Mayo Clinic  
(*20% improvement in oxygen capacity;  $p < 0.05$* )

#### Corporate technology partnerships

- Discussions well underway with partners to incorporate SphygmoCor into other platforms
- Opportunities include wearables, renal denervation and kidney disease management



# US Clinical Business

## Our Core Market

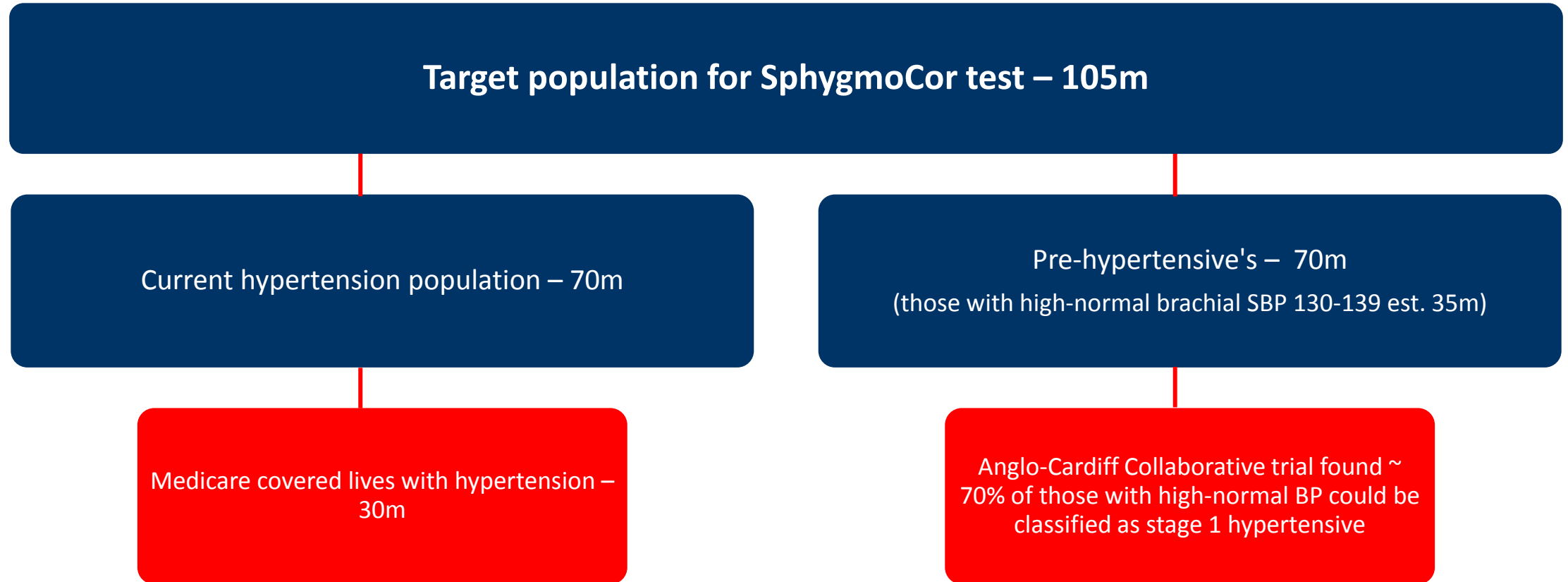


Individualize Care



# Adult Hypertension Profile in USA

## Favourable Metrics for Adoption



# Who Treats Hypertension

US total available market US\$800m

Discipline	No. of practices	No. of practices with 10+ physicians
Cardiology	5,879	3,132
Nephrology	3,335	1,580
Endocrinology	623	329
General Practice (incl. Internists)	26,087	11,874
Hospitals	5,759	5,759
Other	4,993	2,189
<b>Total</b>	<b>46,676</b>	<b>24,863</b>

Source: Frost & Sullivan

## Targeting- Ideal Customer Profile

- ✓ Cardiology, Nephrology (kidney) or Internist (high level GP)
- ✓ Understands clinical utility
- ✓ Favorable economics - uncomplicated investment decision
- ✓ Sees growth/differentiation opportunity (offensive)
- ✓ Competitive tension in local market, eroding financials and/or losing hypertension patients to specialists (defensive)



Coupled with :

- AtCor sales rep access (relationships, leads, cold calls)

# Reimbursement

## Value proposition for doctors

### Why doctors adopt SphygmoCor

#### **Central aortic pressure waveform analysis better informs blood pressure management**

- Eminent medical societies endorsed measurements as valuable for patient management
- Patient outcomes improved through better targeting and selection of therapies

#### **Compelling economic argument**

- Strong financial incentives from payers for doctors to control cardiovascular disease
- Practice can recover system cost within 12 months
- Doctors are looking for ways to differentiate their practice & retain patients
- Doctors earnings – additional income stream

#### **Gold standard product**

- Strong Brand awareness
- Used by leading researchers and institutions around the world
- > 200 practices & 400 clinical users in US-reference base
- >1,000 peer-reviewed clinical papers using SphygmoCor

# Acquisition Options

## Capital Purchase

- Ave sell price – US\$15k
- Quick payback

CMS payment – US\$17.91*		
Number of tests per week	Payback period (Months)	Net Lifetime Contrib. \$
20	10	\$74,550
25	8	\$96,938
30	7	\$119,325
35	5	\$141,713

## AtCor Lease Plan

- Internal program allowing monthly payments rather than capital investment
- Intended to create favourable economics for small practices
- Builds strong deferred revenue stream for AtCor
- Increase unit placements per sales rep and shorten sales cycle

\* Higher payment in major cities, private health plans up to 50% premium

# Leasing Model

Favourable economics

Tests per week per system	20	25	30	35
Lease payment (36 mth lease, avg sale price US\$15k, \$1 purchase at lease end)	\$456	\$456	\$456	\$456
Income				
Medicare Reimbursement value	\$17.91	\$17.91	\$17.91	\$17.91
Income p.a	\$17,910	\$22,388	\$26,865	\$31,343
Cost p.a	(\$5,472)	(\$5,472)	(\$5,472)	(\$5,472)
Net gain during lease p.a	\$12,438	\$16,916	\$21,393	\$25,871
Net gain over system life (5 years)	\$73,134	\$95,522	\$117,909	\$140,297

**Benefits:**

- Physician is cash flow positive from month 1
- Faster adoption of technology
- Recurring revenue stream for AtCor

# Reimbursing SphygmoCor Test – April 2016.....

**Private plans coming on board - strong validation!**



Medicare	26,713,702
Medicaid (20 states)	25,925,598
National private health plan	13,826,255
5 Blue Cross plans	8,815,510
Regional private health plans	<u>1,220,200</u>
<b>TOTAL COVERED LIVES</b>	<b>76,501,265</b>



# Clinical Utilisation

## US SphygmoCor installed base includes:

**All 15 Hospitals on US News & World Report Best Hospitals Honor Roll use the SphygmoCor system**



1. Massachusetts General Hospital, Boston MA
2. Mayo Clinic, MN
3. Johns Hopkins Hospital, Baltimore MD
4. UCLA Medical Center, Los Angeles CA
5. Cleveland Clinic, OH
6. Brigham & Women's Hospital, Boston MA
7. New-York Presbyterian University Hospital of Columbia and Cornell, NY
8. UCSF Medical Center, San Francisco CA
9. Hospitals of the University of Pennsylvania – Penn Presbyterian, PA
10. Barnes-Jewish Hospital/Washington University, St Louis MO
11. Northwestern Memorial Hospital, Chicago IL
12. NYU Langone Medical Center, NY
13. UPMC- University of Pittsburgh Medical Center PA
14. Duke University Hospital, Durham NC
15. Stanford Healthcare-Stanford Hospital, CA



## Summary - Core Focus Is Clinical Market!!

- ✓ Specific metric driven plan being executed to optimise US clinical market success
- ✓ Controlled rollout - measure and refine best practices
- ✓ Expansion will follow in geographies with highest concentration of Medicare & private coverage
- ✓ Facilitating positive decision for doctor; lease option from AtCor-CF positive month one
- ✓ Health plans reimbursing test well ahead of forecast!
- ✓ Patent protected technology in worlds two largest medical device markets
- ✓ Resources & partners for other segments (Pharma, heart failure, corporates)
- ✓ Strong operating leverage – high gross margins
- ✓ We have built and know US clinical market
- ✓ Quality Board & senior management team
  - Former executives with Baxter, Boston Scientific, Johnson & Johnson, St Jude Medical

SphygmoCor  
AtCor Medical



simply the  
gold standard

hypertension management  
noninvasive central aortic blood pressure  
ARTERIAL STIFFNESS  
Pulse Wave Velocity  
INDUSTRY LEADER  
wave reflection  
CENTRAL BLOOD PRESSURE WAVEFORM ANALYSIS  
HYPERTENSION  
MANAGEMENT  
INDUST  
LEAD  
HYPERTEN  
MANAGEM

# Appendices

# Investment Summary

ASX Code: **ACG**

Ordinary Shares on Issue: **200.7m**

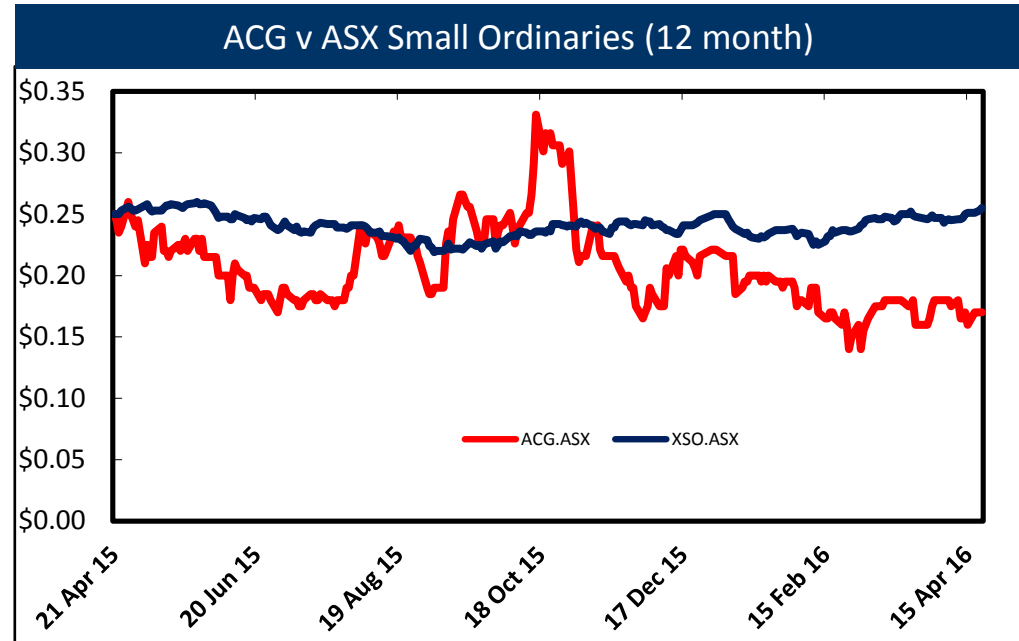
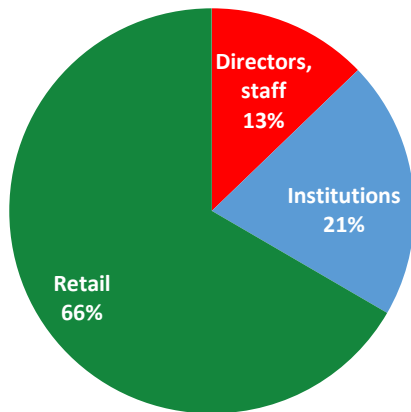
Market Capitalisation @ \$0.17: **\$34.1m**

Options on Issue: **23.5m**

2016 share price range: **\$0.14 - \$0.215**

Average Monthly Volume (Yr Rolling): **5.7m**

## Shareholder Register by Investor Type



Substantial Shareholders	(%)
CB Co Pty Ltd (Curran family)	7.7
Australian Ethical Investors	7.6
Directors & staff	12.6
<b>Top 20</b>	<b>41.8</b>

## Financial Performance – 1H2016

### Profit & Loss (A\$m)

Summary Financials			
Period	1H15A	1H16A	Change (%)
Revenue	2.9	1.7	-41%
Gross Profit	2.4	1.3	-48%
Other Income (govt. grants, R&D tax rebates, FX gains)	1.2	0.8	-31%
Sales & Marketing	(1.6)	(2.2)	-32%
Other Expenses	(1.9)	(2.2)	-16%
Depreciation & Amortisation	0.05	0.03	60%
EBIT	0.04	(2.3)	
NPAT	0.04	(2.3)	
EPS (c)	0.03	(1.2)	
EV/Sales (x)	1.9	6.6	
NTA per Share (c)	2.3	2.5	

### Cash Flows (A\$m)

Summary Cash Flows			
Period	1H15A	1H16A	Change (%)
<u>Operating Cash Flows</u>			
Receipts from Customers	3.1	2.2	-29%
Payments to Suppliers	(3.9)	(4.9)	-25%
Other (govt. grants, R&D tax rebates)	-	-	N/a%
	(0.8)	(2.7)	-224%
<u>Investing Cash Flows</u>			
Payments for plant & equipment	0.03	0.02	-%
<u>Financing Cash Flows</u>			
Share issue & option proceeds	1.0	3.0	204%
Net Increase (Decrease) in Cash	0.1	0.3	
Cash at beginning of period	2.2	3.4	
Effect of FX rate changes	0.2	0.04	N/a%
Cash at end of period	2.5	3.8	50%

# CPT1 and Reimbursement

## What does it mean?

### Common Procedural Terminology (CPT) code 1

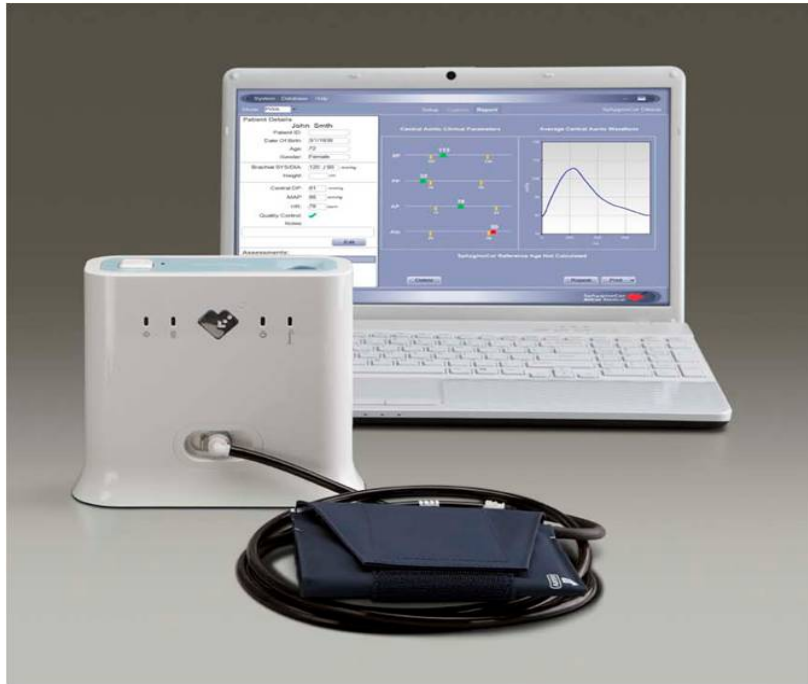
- Is a listing of descriptive terms and identifying codes for reporting medical services and procedures
- Highest level code attainable-has displayed clinical efficacy & widespread support from medical societies
- Managed by the American Medical Association
- Renal Physicians Association (RPA) were successful in their application for a Category 1 code – 93050

*“Arterial pressure waveform analysis for assessment of central arterial pressures, includes obtaining waveform(s), digitization and application of nonlinear mathematical transformations to determine central arterial pressures and augmentation index, with interpretation and report, upper extremity artery, non-invasive”*

### Centers for Medicare & Medicaid Services (CMS)

- US government agency who provide health insurance for 50 million retirees and those with disabilities, 30 million of whom are hypertensive
- Have assigned US\$17.91 as the national average reimbursement for the test
- Allows physicians to recover the cost of their time and overhead for performing the test

## The SphygmoCor® Product



### *What does SphygmoCor do?*

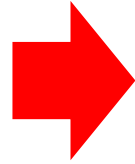
- Addresses the key cardiovascular risks:
  - Heart failure, Heart attack, Stroke
- Provides key heart function parameters of cardiovascular function and risk :
  - Blood pressure at the heart
  - Load on the heart
  - Coronary artery pressure
  - Detailed central aortic wave form
  - Timing of the heart pumping cycle, and
  - Measures of arterial stiffening
  - Reference standard aortic pulse wave velocity

**Such central data is only otherwise available via an invasive catheter into the ascending aorta of the heart**

### So why are Central Pressures of Such Importance Clinically?

- Clinical evidence is now well established that central pressure is a stronger predictor of future cardiovascular events than traditional brachial (cuff) pressures and drug effects can be dramatically different centrally.
  - Majority of the clinical evidence generated is the direct result of clinical studies undertaken using AtCor's SphygmoCor device across longitudinal studies and randomised controlled trials which to date encapsulates tens of thousands of patients
  - SphygmoCor detects cardiovascular diseases earlier and substantially improves patient management
  - Competitor products all lack this kind of clinical evidence, which constrains adoption in favour of the industry standard (SphygmoCor)

# The SphygmoCor<sup>®</sup> Product



## How does it work?

### SphygmoCor Central Pressures

- Records the **blood pressure pulse waveform at the arm**, non-invasively
- Using this recording, it **derives the blood pressure pulse waveform at the heart**
- From this pressure pulse waveform at the heart, **SphygmoCor then calculates:**
  - *central aortic blood pressures*
  - *certain key heart function parameters*
- Clinician reviews waveform quality, features and key indices to **assess CV status, diagnose and treat.**



### Pulse Wave Velocity

- Considered gold standard measure of arterial stiffness
- Based on the pulse transit time from carotid to femoral artery
- SphygmoCor is the reference device, most widely used and published



# Game changing technology- delivered on 3 distinct platforms

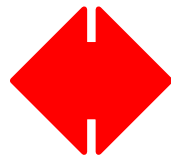
## *Gold standard technology & strong innovation*



### SphygmoCor EM series

Primary focus is research and clinical specialist market. Provides central pressures, pulse wave velocity & heart rate variability.

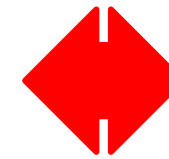
Cleared for sale in all major markets, including USA (FDA), Europe (CE Mark), Australia (TGA), Canada, Japan, China, Brazil



### SphygmoCor XCEL series

Main markets are clinical practice and pharmaceutical trials. Provides brachial blood pressure, central pressures and pulse wave velocity.

Cleared for sale in most major markets: USA (FDA), Europe (CE Mark), Australia(TGA), Canada, China



### Oscar 2 with SphygmoCor Inside

24 hour ambulatory blood pressure monitor w/central pressures. Largest market is pharmaceutical trials followed by clinical practice and research.

Cleared for sale in USA (FDA), Europe (CE Mark) and Australia (TGA).

SphygmoCor non-invasively measures central aortic pulse waveforms to determine central aortic pulse pressure, augmentation index, reflected wave magnitude (a key measure of arterial stiffness) and pulse wave velocity

# Disease States Related To Hypertension

Total economic costs exceed US\$700b per annum

