

Business Update and Strategic Review

AtCor Medical Holdings Limited (ASX: ACG), the developer and marketer of the SphygmoCor® system for advanced hypertension management, provides the following update on its expected FY2017 revenue and announces a recently initiated strategic review.

1. Updated Guidance for FY2017

Based on its latest information, AtCor anticipates revenue for the financial year to be between \$4.3 and \$5.0 million, compared with \$5.0 million in FY2016 and the \$6.182 million estimate provided on 25 October 2016.

Non-pharma revenues in the US are expected to grow by 15-25% year on year (measured on a constant currency basis) despite the slower than anticipated uptake by clinicians. Sales to pharmaceutical companies are now forecast to be approximately A\$1.0 million lower than the previous corresponding period.

The reason for lower pharmaceutical revenues is the absence of major new hypertension drug trials for over three years. While there have been several minor trials in areas such as heart failure and diabetes, their commercial value has been less than anticipated.

2. Market & Technology Development Update

AtCor is continuing to market SphygmoCor to local, US integrated healthcare delivery networks (IDNs). In February, the Company entered into a three year network agreement with Emory Healthcare, based in Atlanta, Georgia, which will lead to up to 40 SphygmoCor systems being placed with Emory-owned and affiliated locations and practices within the next 18 months.

A contract with another IDN is expected to be announced shortly; contracts with one to two others are expected to be signed in the near future; and contracts with further IDNs are in various stages of development. These local, equity-based health systems consist of a number of hospitals, outpatient service centres and multi-specialty practices. AtCor is committed to and will benefit from the efficiency in multi-unit sales and the visibility these agreements bring to other IDNs and private practitioners in its target metropolitan markets.

Progress continues with AtCor's other target segment, multi-doctor cardiology and nephrology practices. One of largest private nephrology practices in the US, with 40 offices, is purchasing their first system and negotiations are underway for a group-wide contract. The next largest regional competitor of roughly half the size has just leased its second system and more orders are expected from this group.

On the back of building awareness in the clinical market, momentum in the US research business continues to grow, with purchases by researchers who previously had not adopted SphygmoCor.

While Japanese regulatory approval for clinical sales of SphygmoCor in the world's second largest medical device market is not expected until September 2017, AtCor's partner, A&D Company, has invested significant time and resources in planning its launch. A&D is a leading global producer of blood pressure measurement instruments. Discussions regarding opportunities to work with A&D in other countries are underway.

In response to the softer revenue, the Company has been pro-active in reducing its expenses. As commented in its 2017 half year report, management has implemented a number of cost-saving measures including reducing head count and salaries and delaying the planned expansion of the sales force. These have led to \$1.5 million per annum being removed from current expenses and the deferral of a further \$0.5 million in planned expenses.

AtCor's global alliance with SunTech Medical brought to market SunTech's Oscar 24 hour ambulatory blood pressure monitor incorporating SphygmoCor, which required AtCor to codify its technology on a secure chip. Recently, a field trial in the high-end consumer wearable market required the Company to codify its technology in a secure dll black box. This market, largely served by big tech, is based on activity-based measures and its next phase is widely expected to use physiologically-based measures, which would be aligned with AtCor's core competence.

In addition to AtCor's core patent portfolio covering areas such as its cuff-based devices and a more robust and specific method of using SphygmoCor to optimise cardiac pacemaker settings, the Company recently lodged three new provisional patents. These have the potential to change fundamentally the determination of brachial and central blood pressure, including in the home and consumer wearables markets.

AtCor also has a number of clinical trials underway. These include pilot trials at both Johns Hopkins and Harvard funded by two separate, large cap medical device companies which are evaluating SphygmoCor as a companion technology for devices and methods being developed for heart failure.

3. Strategic Review

The Board has engaged a third party to undertake a strategic review of AtCor's business to evaluate all options including joint ventures, licensing, acquisitions, sale, or other capital solutions. The context for this review is the Company's continuing need for funding and the likelihood that it will need to raise more capital during FY2018.

Commenting on the decision to undertake a strategic review, Chairman Donal O'Dwyer said "AtCor's SphygmoCor technology is world-class and is used in clinical practice, clinical research and pharmaceutical trials worldwide. The Company's challenge is how to realise the full potential of its SphygmoCor technology, either in its own right or with other parties. It is therefore appropriate to consider what options the Company has for future growth and to maximise shareholder value."

The strategic review process has already started and a progress update will be provided when the Company releases its FY2017 results.

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