

2019 Full Year Results

Investor Presentation

Michael Kavanagh, CEO and President
McGregor Grant, CFO and Company Secretary

SOCIETY

LEADERSHIP

EXPANSION

2019

DISCLAIMER

This presentation is intended to provide a general outline only and is not intended to be a definitive statement on the subject matter covered in it. The information in this presentation, whether written or verbal, has been prepared without taking into account the commercial, financial or other needs of any individual or organisation.

Certain information may relate to protected intellectual property rights owned by Nanosonics Limited (Nanosonics) and its subsidiaries (together the Group).

While due care has been taken in compiling the information based on the information available to Nanosonics at the date of this presentation material, neither Nanosonics nor its officers or advisors or any other person warrants the accuracy, reliability, completeness or timeliness of the information or guarantees the commercial or investment performance of the Group.

The information does not constitute advice of any kind and should not be relied on as such. Investors must make their own independent assessment of the Group and undertake such additional enquiries as they deem necessary or appropriate for their own investment purposes. Any and all use of the information is at your own risk.

No representation, warranty or assurance (express or implied) is given or made in relation to any forward looking statement or estimate by any person (including Nanosonics). In particular, no representation, warranty or assurance (express or implied) is given in relation to any underlying assumption or that any forward looking statement will be achieved. Actual future events may vary materially from the forward looking statements and the assumptions on which the forward looking statements are based.

Subject to any continuing obligations under applicable law or any relevant listing rules of the Australian Securities Exchange, Nanosonics disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements in these materials to reflect any change in expectations in relation to any forward looking statements or any change in events, conditions or circumstances on which any such statement is based. Nothing in these materials shall under any circumstances create an implication that there has been no change in the affairs of the Group since the date of these materials.

“Nanosonics has continued to go from strength to strength delivering excellent growth in our core trophon business as well as making significant investments as part of our longer term strategic growth agenda”

Michael Kavanagh
CEO and President



FY19 HIGHLIGHTS

- Total revenue of \$84.3 million, up 39% on prior corresponding period.
- Capital revenue of \$32.8 million, up 28% on prior corresponding period.
- Consumables and service revenue of \$51.5 million, up 47% on prior corresponding period.
- Global installed base of 20,930, up 18% in last 12 months:
 - North America up 19% to 18,570 units
 - EMEA up 21% to 880 units
 - Asia Pacific up 6% to 1,480 units.
- Operating profit before tax of \$16.8 million, up 201% on prior corresponding period.
- Cash and cash equivalents up to \$72.2 million – providing strong foundation for accelerated investment in growth.
- trophon®2 successfully launched in North America, Europe and Australia during the year.
- Broadened geographical presence with expanded distribution agreement with GE Healthcare covering Nordics and Iberia plus addition of distributor partners in Israel, Switzerland and Kuwait.
- Japanese market development ongoing with establishment of Nanosonics entity in Japan, preliminary clinical study published demonstrating over 90% of probes studied contaminated and recently the regulatory approval of trophon2 and distribution agreement signed with GE Healthcare Japan.
- Substantial investment made in new product development. Important milestones met throughout the year towards the targeted introduction of the next significant new product for the end of FY20 (subject to regulatory approval).
- Investments in business capability and capacity with addition of four new executives to Nanosonics' leadership team in Regional Leadership, Strategy, Operations and Marketing to drive the next phase of Nanosonics' growth.

OUR MISSION

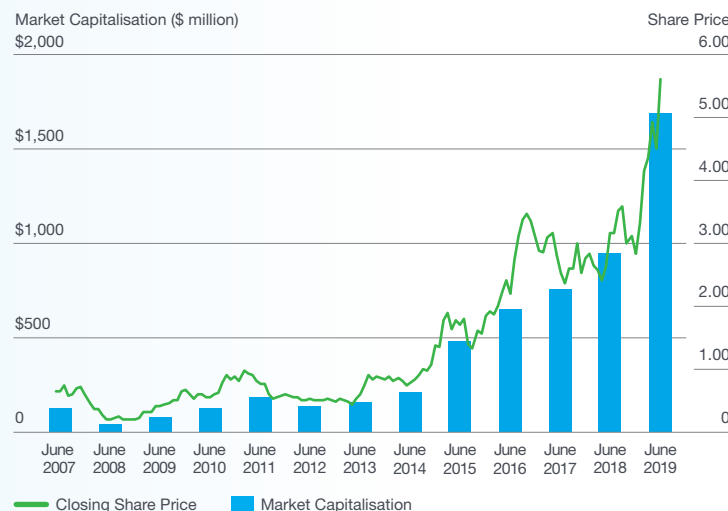
We improve the safety of patients, clinics, their staff and the environment by transforming the way infection prevention practices are understood and conducted and introducing innovative technologies that deliver improved standards of care.



Company Overview

- ASX 200 listed healthcare company specialised in the development and commercialisation of infection control solutions
- First product, trophon® – proprietary automated technology for low temperature, high level disinfection (HLD) of ultrasound probes
- Approved for sale in most major markets including: US/Canada, ANZ, Europe, Singapore, HK, South Korea, Japan
- 286 staff across Australia, US, Canada, UK, Germany and France
- Sold direct and through distribution partners, including leading brands such as: GE Healthcare, Philips, Samsung, Siemens and Canon
- Active R&D program targeting expansion of product portfolio for Infection Prevention market

Shareholder Return



1. As at 22 August 2019.

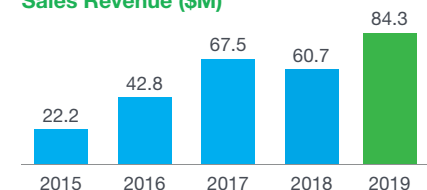
Graphs are not to scale and therefore not comparable.

Key Corporate Data¹

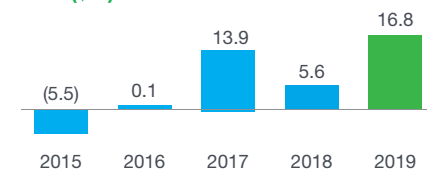
Share price	\$5.01
Shares on issue	300.0 million
Market capitalisation	\$1,502.8 million
Liquidity (30 day avg.)	1.2 million shares
Cash (30 Jun 19)	\$72.2 million
Share register breakdown (30 Jun 19)	Founders/Related Parties 15.7% Institutions 56.6% Private 27.7%

Financial Overview

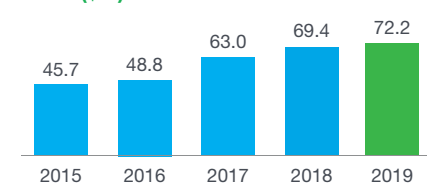
Sales Revenue (\$M)



PBT (\$M)

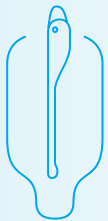


Cash (\$M)



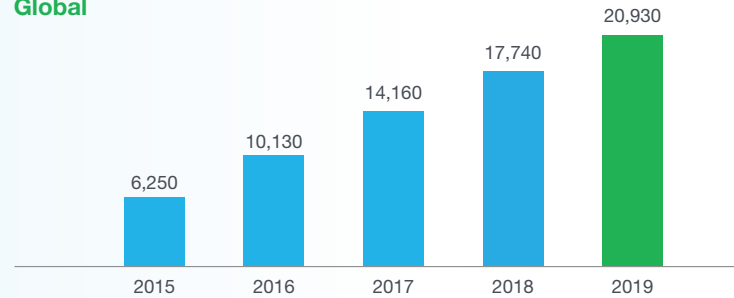
INSTALLED BASE

Global installed
base grew 18% to
20,930
units



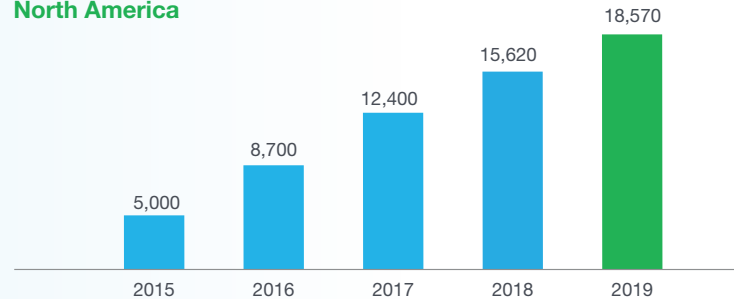
Every day approximately
~70_k
patients are protected from
the risk of cross contamination
because their probe has been
decontaminated using trophon

Global



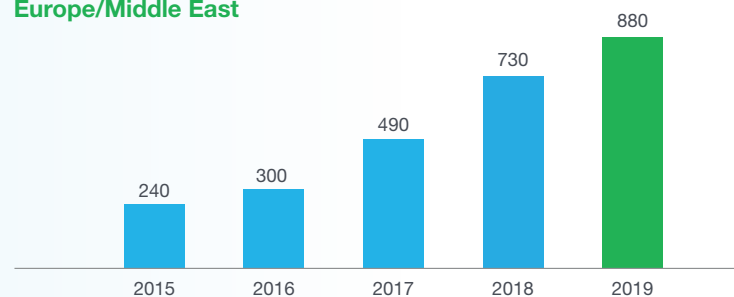
Global
installed base up
↑ 18%

North America



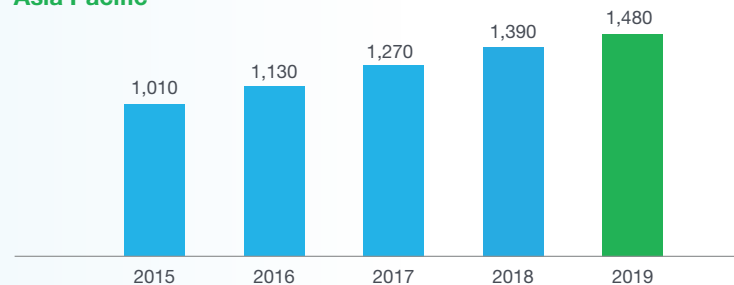
North America
installed base up
↑ 19%

Europe/Middle East



Europe/Middle East
installed base up
↑ 21%

Asia Pacific



Asia Pacific
installed base up
↑ 6%

RANGE OF SELLING MODELS¹

Direct Channel

Capital Sale

- Capital equipment sold upfront with 12-month warranty.
- Customer purchases consumables as required.
- Customer elects to purchase service contracts from Nanosonics (usually after warranty period expires) or pays for service and parts as required.

Managed Equipment Service

- Nanosonics provides capital equipment to customer.
- Equipment fully maintained by Nanosonics.
- Customer purchases consumables as required at an 'all-inclusive' price.
- Nanosonics owns capital equipment, depreciated over 5 years.

Rental

- Customer rents capital equipment.
- Equipment fully maintained by Nanosonics.
- Customer purchases consumables as required.

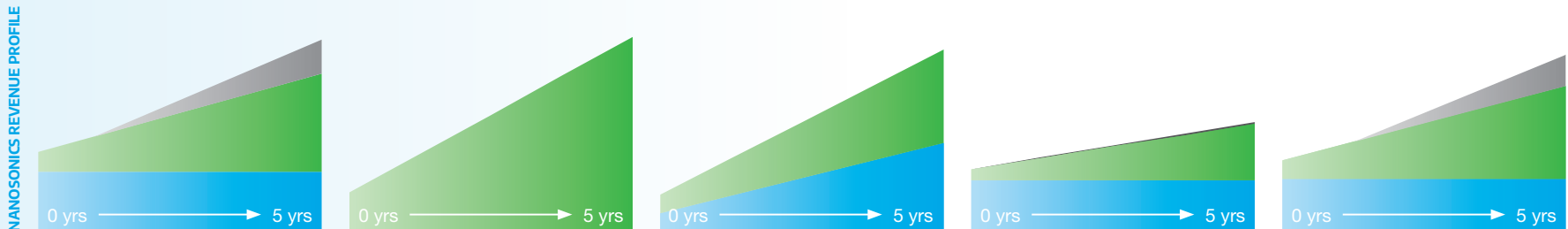
Distribution Channel

Full Service Distribution

- Distributor purchases capital equipment, consumables and spare parts from Nanosonics.
- Distributor sells capital equipment, consumables and service to customer on a similar basis to the Direct Channel Capital Sale Model.

Capital Reseller Market

- Distributor purchases capital equipment from Nanosonics and sells to end customer.
- Customer purchases consumables and service from Nanosonics.



1. The information in the revenue profile charts are intended to be illustrative, only demonstrating the cumulative revenue associated with a single unit sale over five years.



FY19 FINANCIAL RESULTS REVIEW



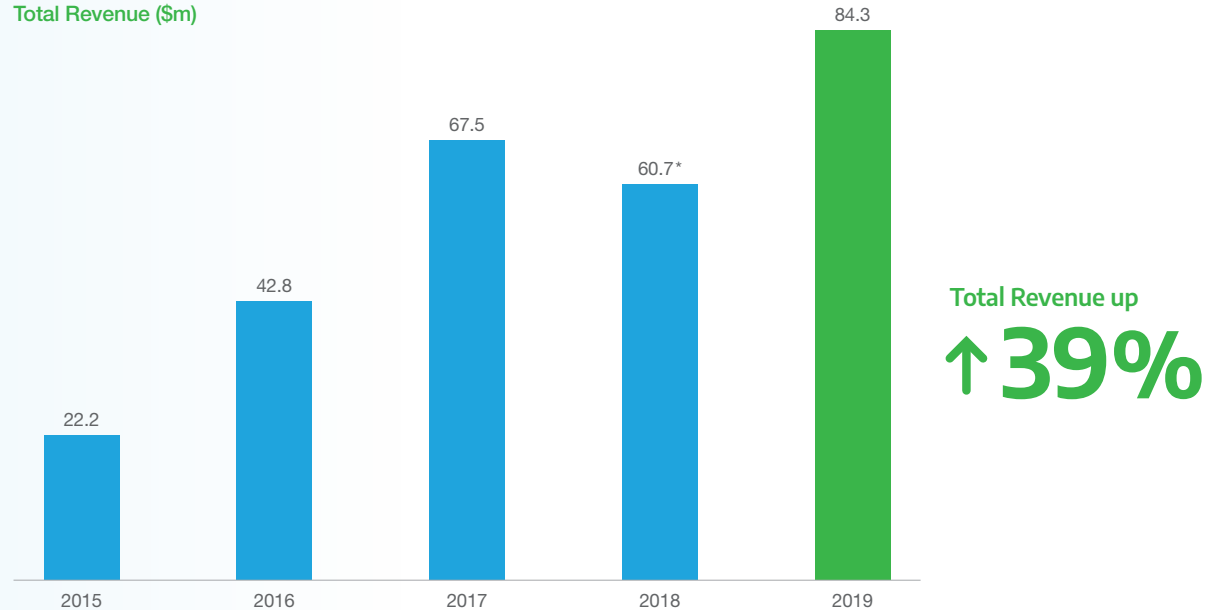
REVENUE

Total Revenue
up 39% to
\$84.3m

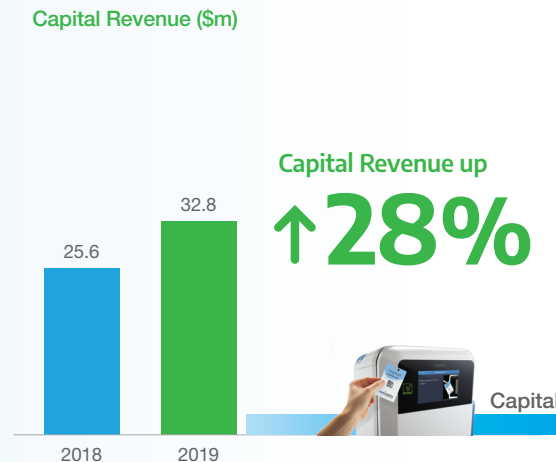
* Reduction in 2018 revenue reflects:

- Transitional reduction in capital revenue associated with the earlier than anticipated regulatory approval of trophon[®]2 and subsequent run down of trophon EPR inventory by distributors; and
- Some customers deferring purchase, pending launch of trophon2 in Q1 of FY19.

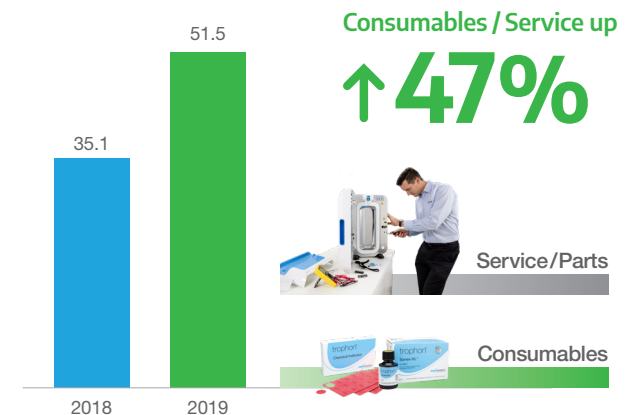
Total Revenue (\$m)



Capital Revenue (\$m)



Consumables/Service Revenue (\$m)



NORTH AMERICA

- Continued strong IB growth driving both capital and consumable revenue growth
- Increasing awareness on importance of high level disinfection for all semi critical probes, including surface probes
- Large opportunity to expand presence across existing hospitals through placement in all departments conducting ultrasound procedures as well as entry into new hospitals

EUROPE AND MIDDLE EAST

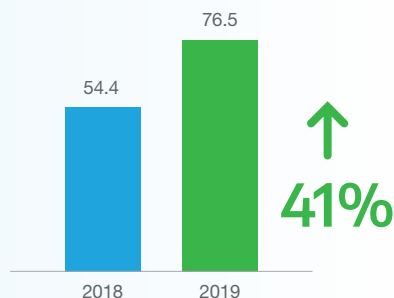
- Fundamentals for adoption strengthened with French MOH guidelines released in April 2019
- New Regional President for Europe appointed with over 20-years' experience in Infection Prevention. Direct sales team expansion planned for FY20
- New markets coming on line with expanded distribution agreement with GE Healthcare in Nordics and Iberia in February 2019 and new distributors in Israel, Switzerland and Kuwait
- Strong pipeline growth. Complex capital sales process involving many phases and stakeholders. Trophon now in budget phase across many accounts

ASIA PACIFIC

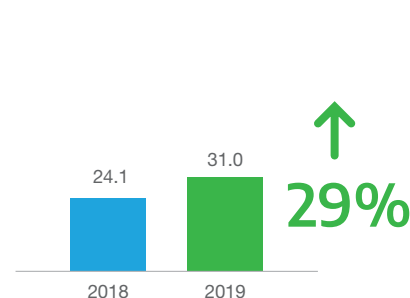
- Sales primarily driven in ANZ where market penetration is approximately 75% and growing
- Japanese market development ongoing with establishment of Nanosonics entity in Japan, preliminary clinical study published demonstrating over 90% of probes studied contaminated and recently, the regulatory approval of trophon2 and distribution agreement signed with GE Healthcare Japan
- China market assessment commenced
- Regional President for Asia Pacific appointed to drive expansion in region

REVENUE MIX BY REGION

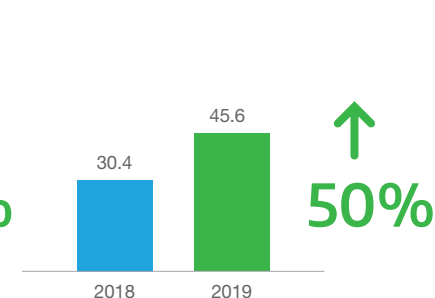
Total Revenue (\$m)



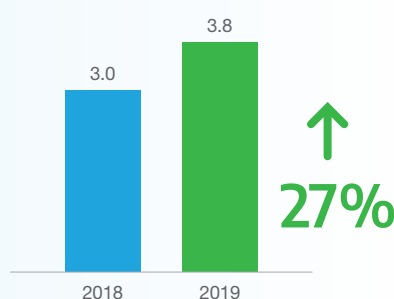
Capital Revenue (\$m)



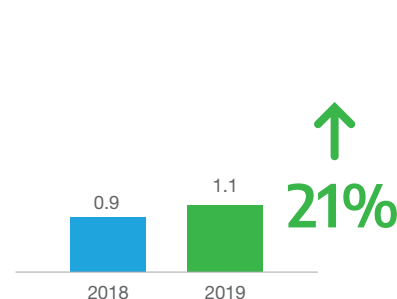
Consumables / Service Revenue (\$m)



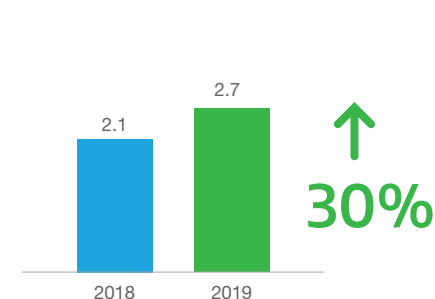
Total Revenue (\$m)



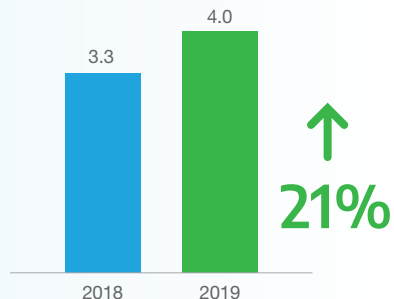
Capital Revenue (\$m)



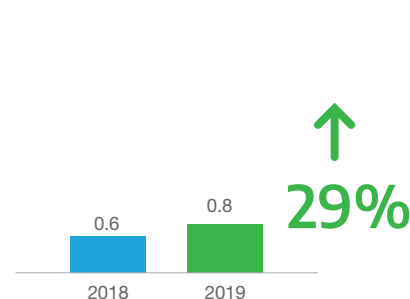
Consumables / Service Revenue (\$m)



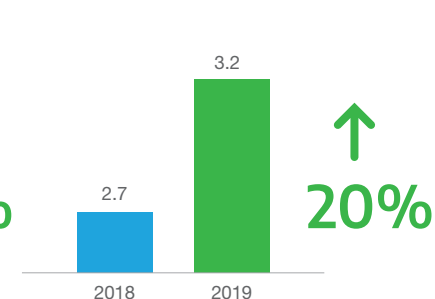
Total Revenue (\$m)



Capital Revenue (\$m)



Consumables / Service Revenue (\$m)



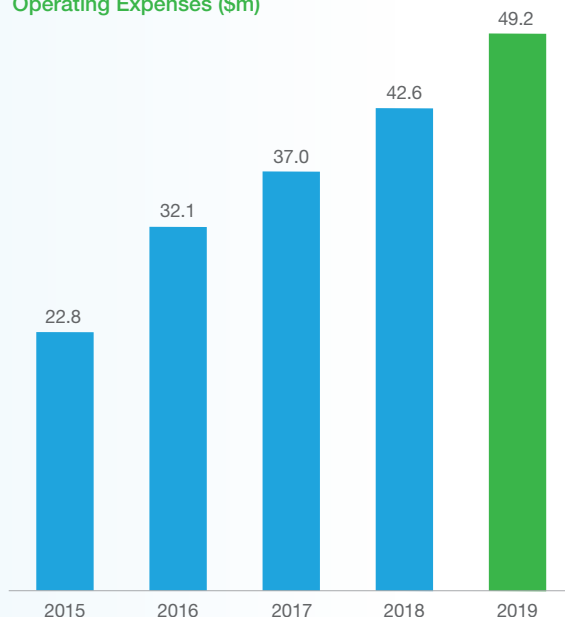
Graphs are not to scale and therefore not comparable.

OPERATING EXPENSES

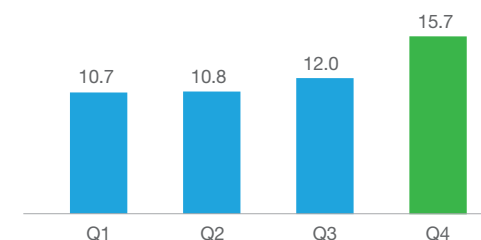
Continued investment in our growth strategy, including an increase in headcount by 27% to 286 employees, expanding our regional operations, supporting our product expansion goals and growing our corporate support functions.

Significant investments planned for FY20 to support strategic growth agenda

Operating Expenses (\$m)



FY19 Quarterly Operating Expense (\$m)



FY20 operating expenses expected to be approximately \$67 million reflecting FY19 Q4 run rate plus accelerated investments in our growth strategy across:

- New Product Development
- Business Development
- Regional and Corporate Infrastructure Expansion
- New Product Launch Readiness
- Sales and Marketing

PROFIT BEFORE TAX

\$16.8m

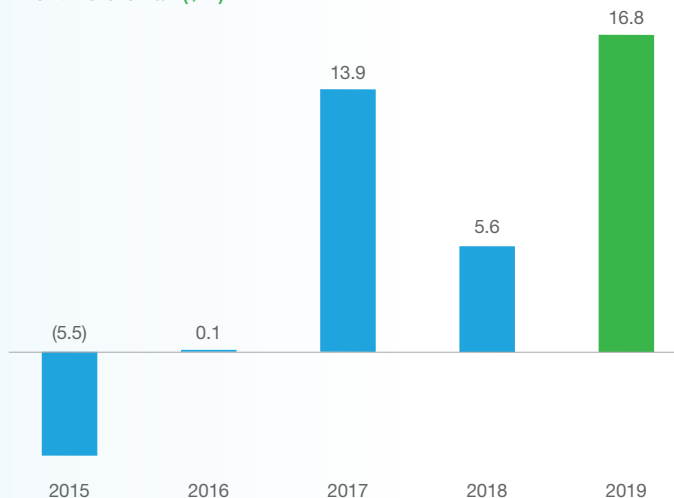
CASH AND CASH EQUIVALENTS

\$72.2m

as at 30 June 2019.

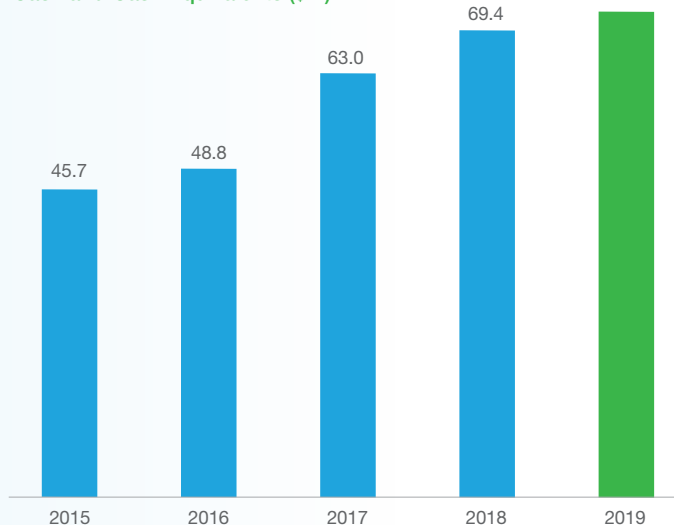
- Capital management is regularly reviewed. Considering the significant global healthcare challenges associated with infection prevention and the resulting opportunities for the development and introduction of innovative solutions, investment in the long term strategic growth agenda of the Company is considered the best use of the Company's free cash flow and capital reserves at this time. This position will continue to be regularly reviewed.

Profit Before Tax (\$m)



- Profit before tax up 201% on prior corresponding period

Cash and Cash Equivalents (\$m)



- Cash and cash equivalents up \$2.8 million supporting ongoing growth and expansion
- Free cash flow of \$2.6 million compared with \$6.2 million in prior period
 - Cash flow for the year was impacted by an increase in trade and other receivables of \$11.1 million due to aligning payment terms with a key distributor with our standard payment terms and the time of sales and payments by that distributor, and an increase in inventory of \$5.1 million associated with the launch of trophon2

PROFIT AND LOSS SUMMARY

\$ million	FY19	FY18	Change	
Revenue	84.3	60.7	▲	39%
Gross profit	62.8	45.3	▲	39%
%	74.5%	74.6%		
Operating expenses				
Selling and general	(27.1)	(23.0)	▲	18%
Administration	(10.7)	(9.7)	▲	10%
Research and development	(11.4)	(9.9)	▲	15%
Other income	0.1	0.1		
Other gains-net	1.8	1.5	▲	19%
Earnings before interest and tax	15.5	4.4	▲	255%
Finance income (net)	1.3	1.2	▲	9%
Profit before income tax	16.8	5.6	▲	201%
Income tax (expense)/benefit	(3.2)	0.2		
Profit after income tax	13.6	5.8	▲	137%

Highlights

- Revenue of \$84.3 million (\$78.5 million in constant currency¹), up 39% (29% in constant currency).
- Gross profit of \$62.8 million, or 74.5% of sales.
- Selling, general and administration expenses of \$37.8 million compared with \$32.7 million in prior year.
- Research and development expenses of \$11.4 million, the majority associated with new products.
- Other net gains, comprised mainly of net foreign currency gains, were \$1.8 million, up 19% over FY18.
- Income tax expense of \$3.2 million, compared with income tax benefit in FY18 of 0.2 million.

1. Constant currency removes the impact of foreign exchange rate movements to facilitate comparability of operational performance for Nanosonics. This is done by converting the current year sales of entities that use currencies other than Australian dollars at the rates that were applicable in the prior year.

INCOME TAX

Key Points

- Deferred tax assets recognised following assessment of operations of the Group.
- Deferred tax asset attributable to carried forward losses relates to the US, UK and Canada and is calculated at an effective tax rate of 20.4% inclusive of a state tax allowance.
- Assessment of probability of recovery (and therefore recognition of related benefit) of unrecognised losses are reviewed on an on-going basis.

Income tax	2019 \$m	2018 \$m
Income tax expense/(benefit)	3.2	(0.2)

Components of Deferred Tax Asset (DTA)	2019 \$m	2018 \$m
Tax losses	1.1	1.1
R&D tax credits	4.0	9.9
All other timing differences	7.8	3.8
Total	12.9	14.8

Value of carried forward losses/R&D credits	Gross \$m	Benefit \$m	Effective rate
Losses recognised as DTA	5.5	1.1	20.4%
R&D credit recognised as DTA	10.4	4.0	38.5%
	15.9	5.1	
Losses not recognised	4.4	0.9	20.4%
Total	20.3	6.0	

SIGNIFICANT GLOBAL MARKET OPPORTUNITY

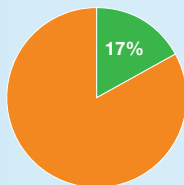
Installed Base Opportunity¹

Global

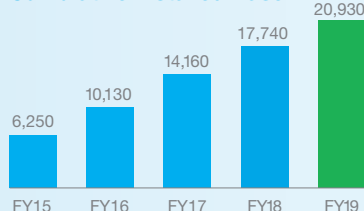
120,000

Units

Market Penetration



Cumulative Installed Base



- Increasing number of international guidelines requiring high level disinfection (HLD) supporting growing international demand.
- Nanosonics expanding its footprint geographically both direct and through distribution.

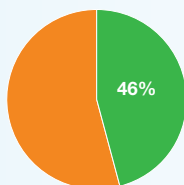
Installed Base Opportunity¹

North America

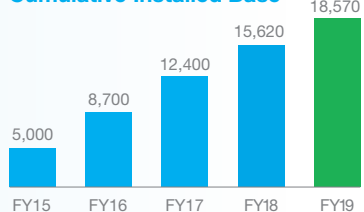
40,000

Units

Market Penetration



Cumulative Installed Base



- Fundamentals for adoption strong with requirements for HLD in place.
- trophon® installed base of 18,570 and already in over 5,000 hospitals and clinics including majority of luminary hospitals.
- Nanosonics has a direct sales operation as well as partnerships with all leading ultrasound companies to drive ongoing adoption.

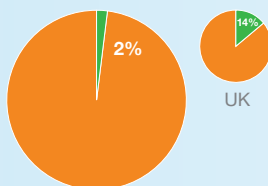
Installed Base Opportunity¹

Europe and Middle East

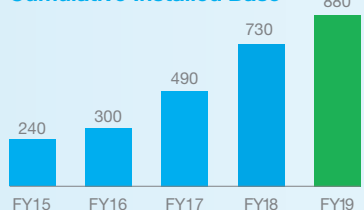
40,000

Units

Market Penetration



Cumulative Installed Base



- European guidelines in UK, Germany and France requiring HLD of ultrasound probes.
- Nanosonics operations established in UK, Germany and France and expanding through distribution in Nordics, Iberia and Middle East.
- A range of business models in place to support market requirements.

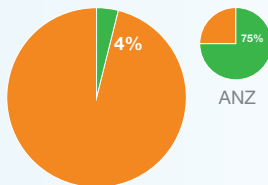
Installed Base Opportunity¹

Asia Pacific

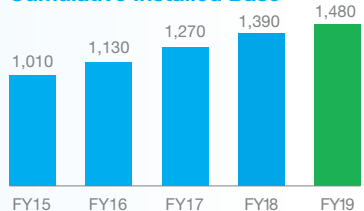
40,000

Units

Market Penetration



Cumulative Installed Base



- trophon® already standard of care in Australia and New Zealand with approximately 75% market penetration.
- Regulatory approval in place in Japan, market development strategy underway, distribution agreement with GE Healthcare in place.
- Exploring opportunities in broader Asia Pacific market, including China.

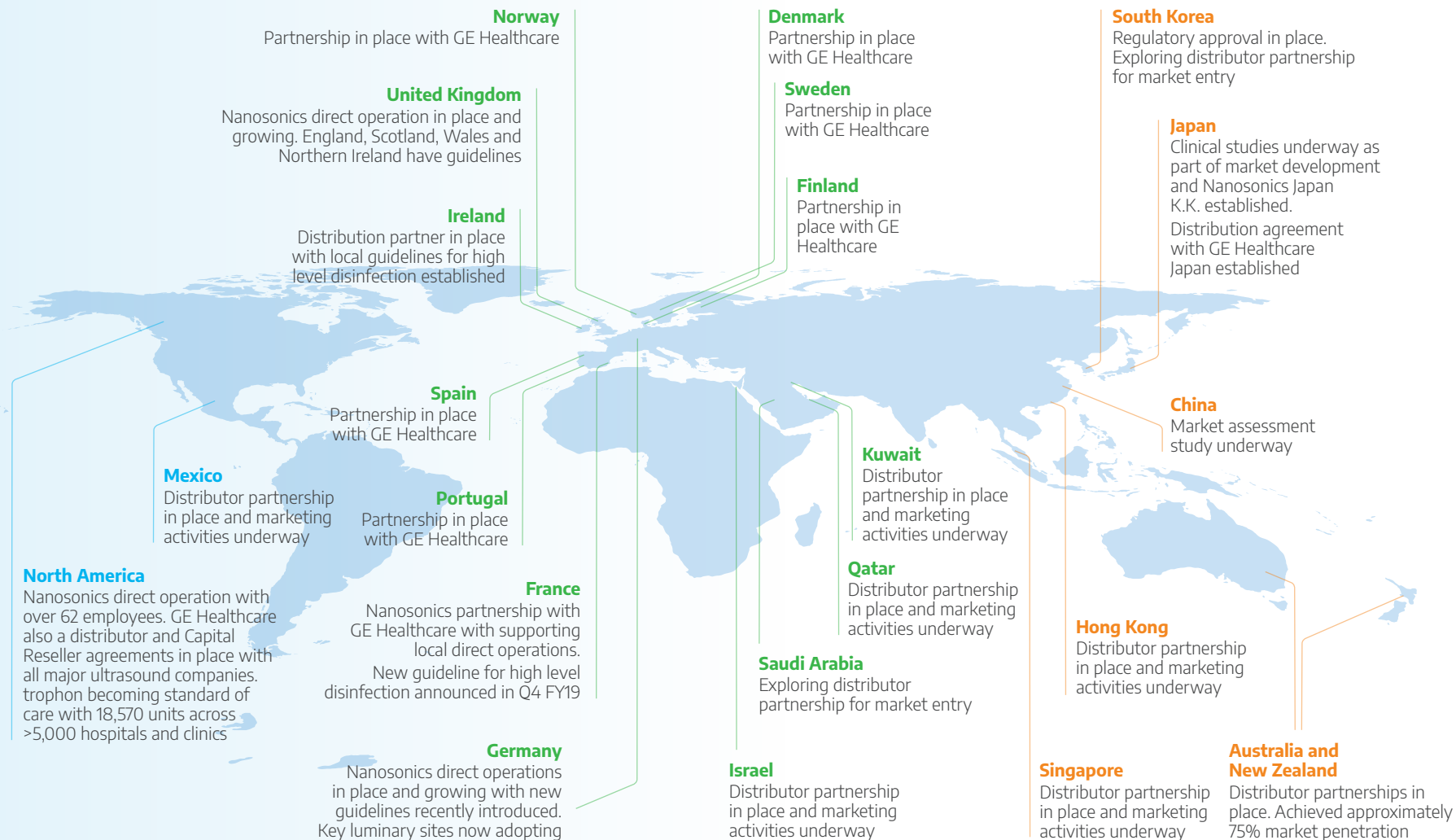
● Current IB ● Remaining opportunity

Graphs are not to scale and therefore not comparable.

1. Internal estimate based on historic regional estimates of the installed base of ultrasound consoles and those associated with procedures where high level disinfection may be required.

EXPANDING GLOBAL PRESENCE

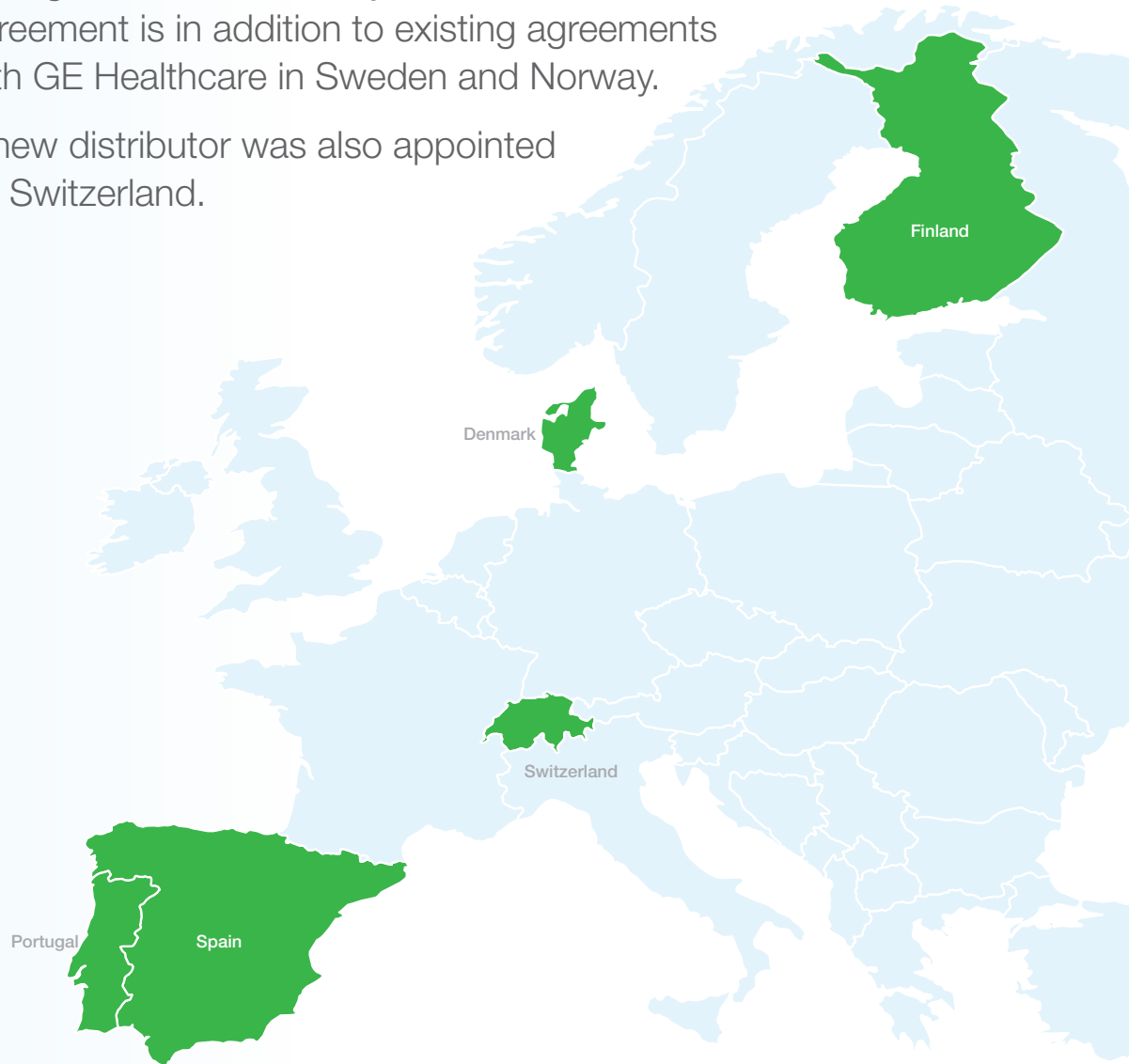
Geographical expansion is key to the Company's strategic growth agenda. Nanosonics distributes its products in 21 countries, either through direct operations or via distributor partners.



MARKET EXPANSION EUROPE

New agreements¹
in Europe as
fundamentals for
adoption continue
to improve

- New agreement established with GE Healthcare for distribution in Denmark, Finland, Spain and Portugal effective February 2019. This new agreement is in addition to existing agreements with GE Healthcare in Sweden and Norway.
- A new distributor was also appointed for Switzerland.



1. New agreements are Full Service Distribution agreements (i.e. including Capital and Consumables).

MARKET EXPANSION JAPAN

Our business development activities in Japan progressed positively with completion of first clinical study, establishment of Nanosonics Japan K.K. and distribution agreement signed with GE Healthcare

FY19 Key Highlights:

- Japanese entity (Nanosonics Japan K.K.) established.
- Preliminary clinical study completed:
 - Over 90% of probes were found to be contaminated; and
 - Of the contaminated probes over 50% were found to harbour potentially pathogenic bacteria including methicillin-resistant *Staphylococcus aureus* (MRSA).
- trophon2 regulatory approval received.
- Distribution agreement signed with GE Healthcare Japan.
- Additional distribution agreements currently in discussion.



MARKET EXPANSION ASIA PACIFIC

Market
assessment
activities
underway
across a
number of
Asia Pacific
markets



- Regional President for Asia Pacific appointed to lead expansion strategy.
- Market assessment commenced in China with visits to large hospitals, the Chinese Centre for Disease control and regulatory authorities.
- Preliminary assessment indicates significant opportunity for trophon may exist in China.
- Broader Asia Pacific opportunities assessment currently underway.

trophon[®]2

Smart protection

trophon2 delivers protection for patients, staff and the environment – **reduces risk**

Smart flexibility

Streamline set-up, can be customised to your workflow and has extensive probe compatibility – **improves efficiency**

Smart functionality

Enhances user experience so you can perform HLD simply, automatically, and with confidence – **increases compliance**

Smart traceability

AcuTrace™ simplifies the creation of accurate digital records, all stored on trophon2 – **increases audit readiness**

Smart integration

AcuTrace™ Plus delivers the option to seamlessly connect trophon2s to your hospital information system – **simplifies data access**

TROPHON[®]2 LAUNCHED IN KEY MAJOR MARKETS

- trophon[®]2 launched in North America, Europe and Australia during the year.
- Positive customer reaction to new design features, functionality, plus new AcuTrace, traceability solution.
- Adoption of trophon[®]2 continuing to grow over trophon EPR.

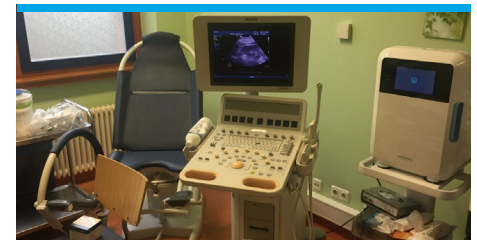
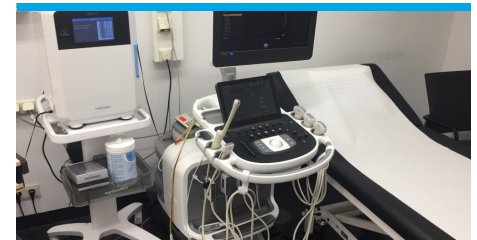


“Since adopting trophon[®]2, we are significantly more effective at high level disinfection throughout our facility. Equally as important, our sonographers’ confidence in their ability to eliminate the risks of infection transmission has been raised exponentially.”

Hutchinson Regional Medical Center, USA

“The new technology is helping our MDR Department to maintain high-quality care while at the same time, it is estimated to save us hundreds of hours a year disinfecting probes used in ultrasound exams.”

Grand River Hospital, Canada

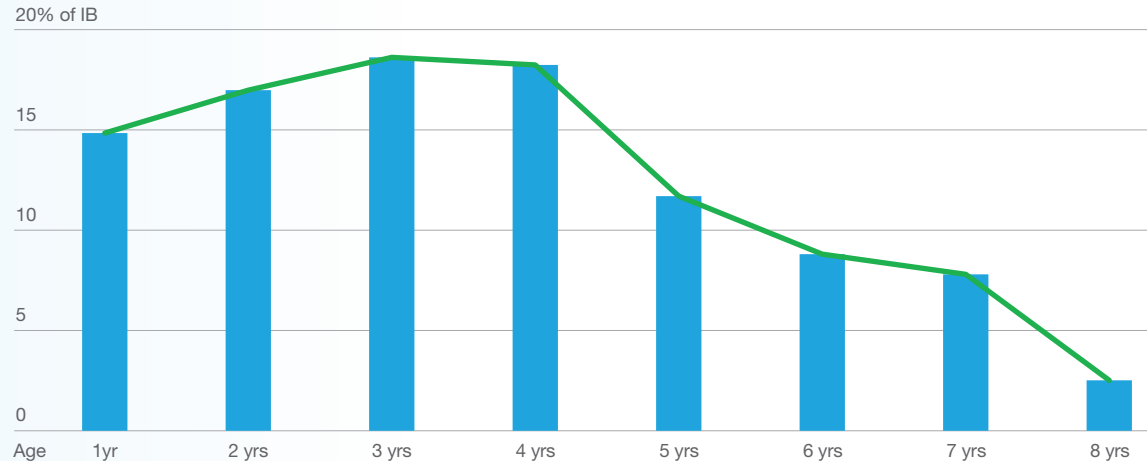


REPLACEMENT/ UPGRADE OPPORTUNITY

Significant replacement/
upgrade opportunity
as installed base ages
and new generation
devices are introduced
to market

Replacement/upgrade expected after 5-7 years

Age distribution of global installed base at June 2019



NEW PRODUCT DEVELOPMENT

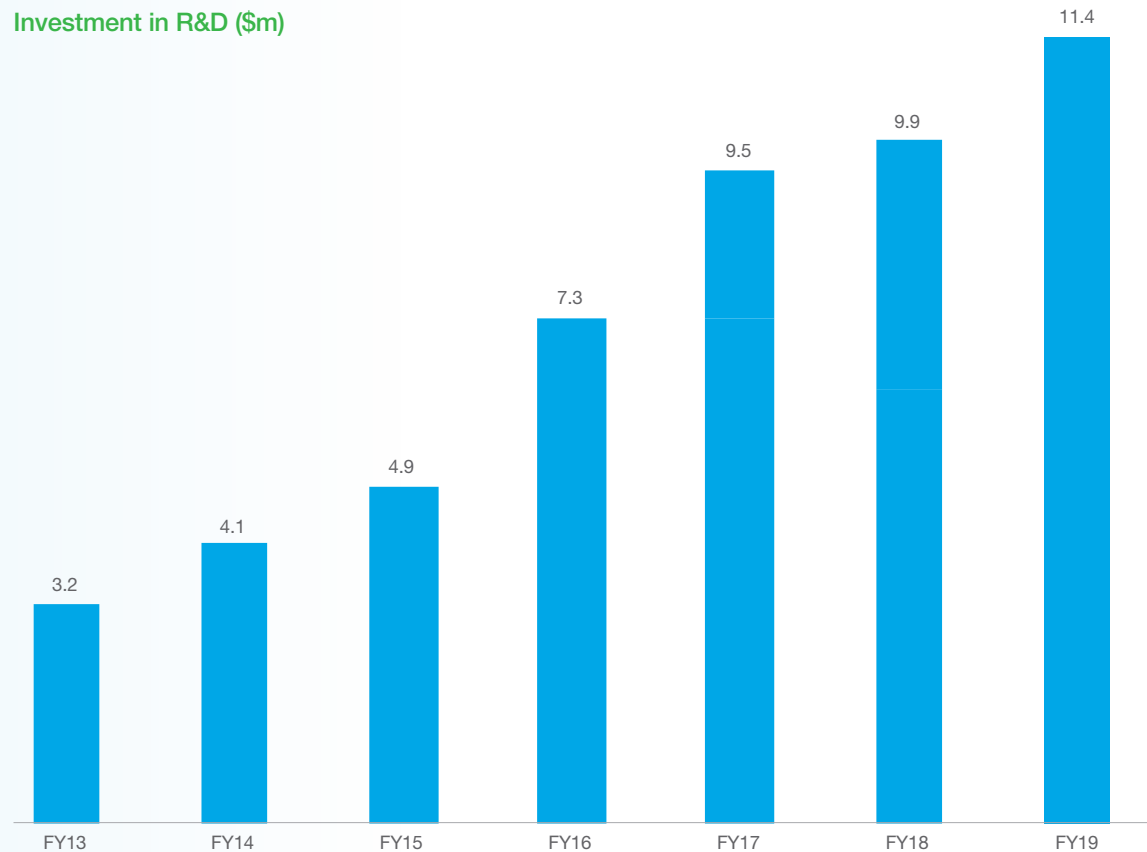
Significant R&D investment being made into product expansion strategy



Substantial investment made in new product development with important milestones met throughout the year towards targeted introduction of the next significant new product for the end of FY20 (subject to regulatory approval).

- Planned investment of \$15 million in FY20.

Investment in R&D (\$m)



OUR PEOPLE

Nanosonics has a highly experienced and dedicated team of professionals leading the development and implementation of our strategic growth agenda

In FY19 further investments in business capability and capacity were made with the addition of four new executives to the Nanosonics leadership team across regional leadership, strategy, operations and marketing to drive the next phase of Nanosonics' growth

OUR BOARD



Left to right: Steven Sargent, David Fisher, Marie McDonald, Richard England, Michael Kavanagh, Geoff Wilson and Maurie Stang.

OUR EXECUTIVE TEAM



Left to right: McGregor Grant, David Morris, Leanne Baxendale, Steven Farrugia, Michael Kavanagh, Rod Lopez, Ronan Wright, Ken Shaw, and Renee Salaberry.

GROWTH STRATEGIES

Establish trophon® as Standard of Care

Continue to establish trophon as standard of care for all semi-critical probes across all relevant hospital departments and private clinics.



Enter new markets

Entry into new markets with trophon and new products.



Expand product portfolio

Goal of introducing a range of new products over time targeting the first by end of FY20 (subject to regulatory approval).



BUSINESS OUTLOOK

FY20

Nanosonics expects:

- Continued growth in installed base in North America with FY20 adoption similar to FY19.
- Adoption in Europe to grow from:
 - Expanded geographical reach, stronger fundamentals for adoption and growing awareness;
 - Investment in Nanosonics European infrastructure including appointment of a Regional President;
 - Budgets for new capital equipment coming through in Germany and France; and
 - Managed Equipment Service growth in the UK.
- Material increase in both sales and margin from consumables in North America, the full impact of which will be realised in H2 FY20.
- Upgrades/replacements of trophon EPR units over five years old to increase.
- Investment in Asia Pacific growth strategy with continued focus on strengthening fundamentals for adoption in Japan as well as market opportunity assessments in the region.
- Accelerated investment in growth with total FY20 operating expenses expected to be approximately \$67 million. This includes approximately \$15 million in R&D, an increase of 32% compared with FY19.
- Targeting introduction of the next significant new product for end of FY20, subject to regulatory approval.
- FY20 profit will be heavily weighted to H2 FY20, taking into consideration: the planned increased investment in new products and geographical expansion of the base trophon business; phasing of trophon sales; and the realisation of consumables margin benefit associated with the new GE Healthcare distribution agreement, the full benefit of which comes into effect in H2 FY20.

BEYOND FY20

Nanosonics expects:

- Continued growth in trophon installed base as new guidelines are released and increasing awareness of the importance of HLD of all semi-critical probes grows.
- Increase in upgrades of trophon EPR to trophon2.
- Japan to become an important growth market for trophon as well as further expansion into Asia Pacific.
- Launch of expanded product portfolio internationally and continued investment in R&D to build a pipeline of new potential product opportunities.
- Ongoing investment in infrastructure, people and capability to drive strategic growth agenda. Ongoing investment in infrastructure, people and capability to drive strategic growth agenda

THANK YOU

