nanosonics
Infection Prevention. For Life.

2020
Half Year Results
Investor Presentation

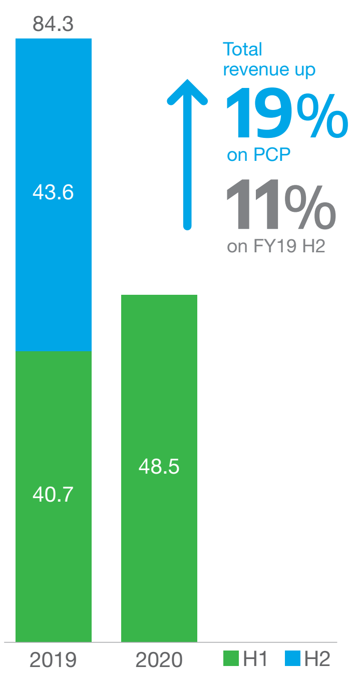
Michael Kavanagh
CEO and President

McGregor Grant
CFO and Company Secretary

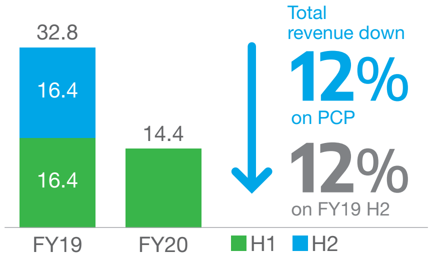
FY20 HALF YEAR – HIGHLIGHTS

- Record first half sales of $48.5 million, up 19% on prior corresponding period (PCP) and 11% on prior half.
- Continued strong global installed base growth, up 17% in last 12 months and 8% in last 6 months to 22,500 units.
- Sales of $34.1 million associated with consumables and service, up 40% on prior corresponding period and 25% on prior half reflecting: growing installed base, impact of increased price to GE Healthcare in North America coming into effect during the half, and timing of shipment of GE North America's January consumables order.
- Capital sales for the period were $14.4 million. This includes sales to end user customers which were up 13% on prior corresponding period, reflecting the transition from trophon® EPR to trophon2 at a higher average selling price. Capital sales to the Company's main North American distributor were down 24% on prior corresponding period due to timing of purchases in prior periods and the distributor's inventory management.
- Continued investment in our growth strategy with first half operating expenses of $30.7 million up 11% on prior half and 43% on prior corresponding period.
- Operating profit before tax of $6.7 million, compared with $11.0 million in prior corresponding period and $5.8 million in prior half.
- Free cash flow for the half year was $10.0 million compared with $1.6 million in prior corresponding period reflecting increased receipts from customers and lower inventory.
- Cash and cash equivalents up $9.8 million to $82.0 million, providing strong foundation for continued investment in growth.
- Geographical expansion progressed with market development activities ongoing in Japan including the appointment of five distributors and first units installed. China market entry strategy developing with regulatory and distribution strategies currently being explored.
- R&D activities continued to grow with investment of $6.8 million, up 24% on prior corresponding period and 15% on prior half. R&D investment spanning a range of R&D programs with current investment weighted towards Nanosonics' next new infection prevention innovation.

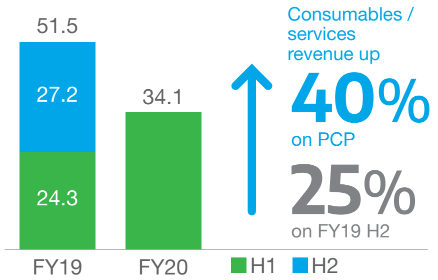
Total Revenue ($'m)



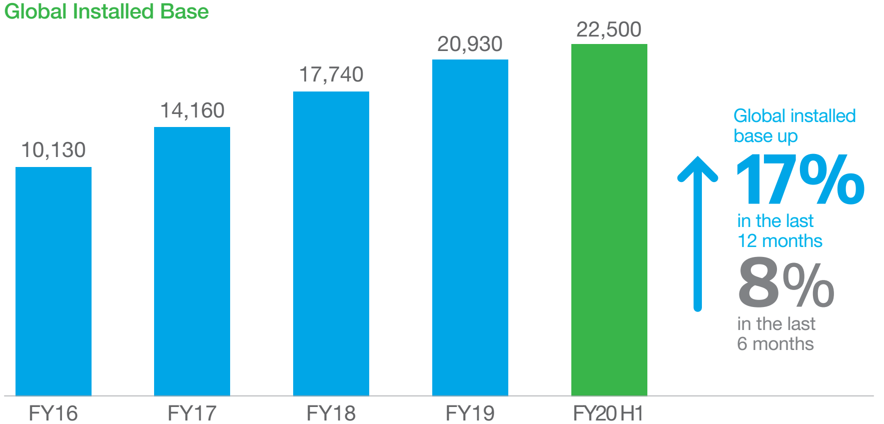
Capital Revenue ($'m)



Consumables / Service Revenue ($'m)



Global Installed Base

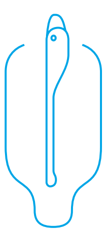


Graphs are not to scale and therefore not comparable.

INSTALLED BASE GROWTH

Global installed base grew 17% in last 12 months and 8% in last 6 months to

22,500
units

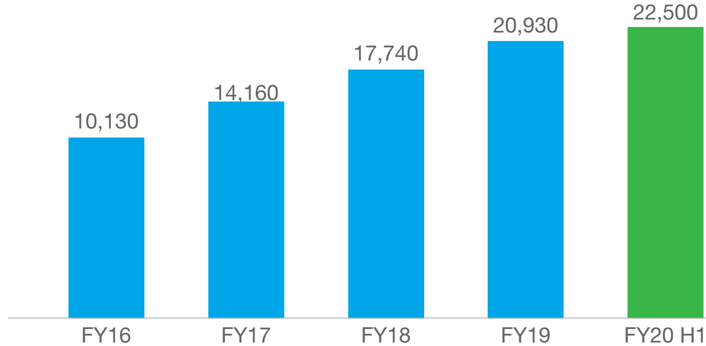


Every day approximately

~**75**k

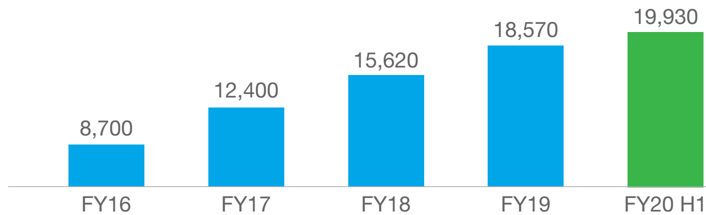
patients are protected from the risk of cross contamination because their probe has been decontaminated using trophon

Global Installed Base



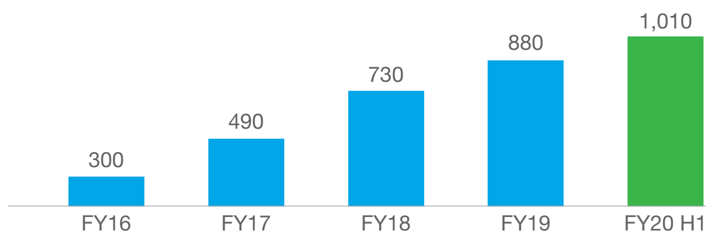
Global installed base up
17%
in the last 12 months

North America



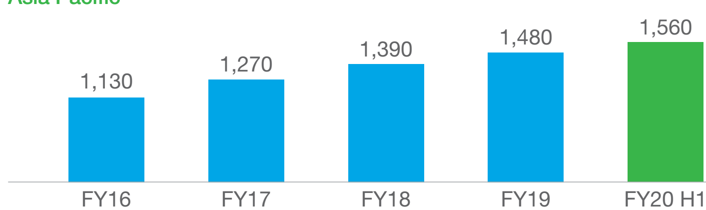
North America installed base up
17%
in the last 12 months

EMEA



Europe and Middle East installed base up
19%
in the last 12 months

Asia Pacific



Asia Pacific installed base up
8%
in the last 12 months

Graphs are not to scale and therefore not comparable.

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RANGE OF SELLING MODELS[1]

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.

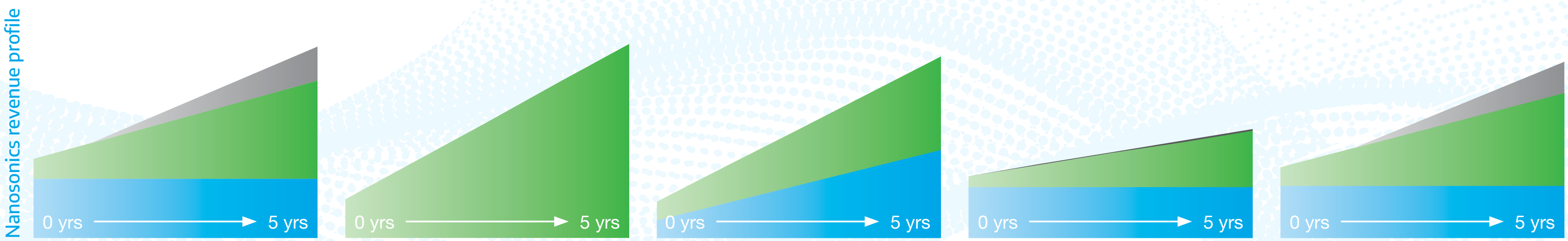
Distribution Channel

Full Service Distribution

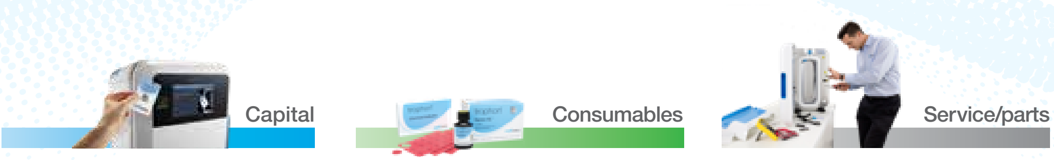
- Distributor purchases capital equipment, consumables and spare parts from Nanosonics.
- Distributor sells capital equipment, consumables and service to customer on a similar basis to the Direct Channel Capital Sale model.

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 in relation to each selling model.



Financial Overview

FY20 First Half

REVENUE

Half year revenue up 19% on PCP to

$48.5 million

Consumables and Service sales up 40% on PCP to

$34.1 million

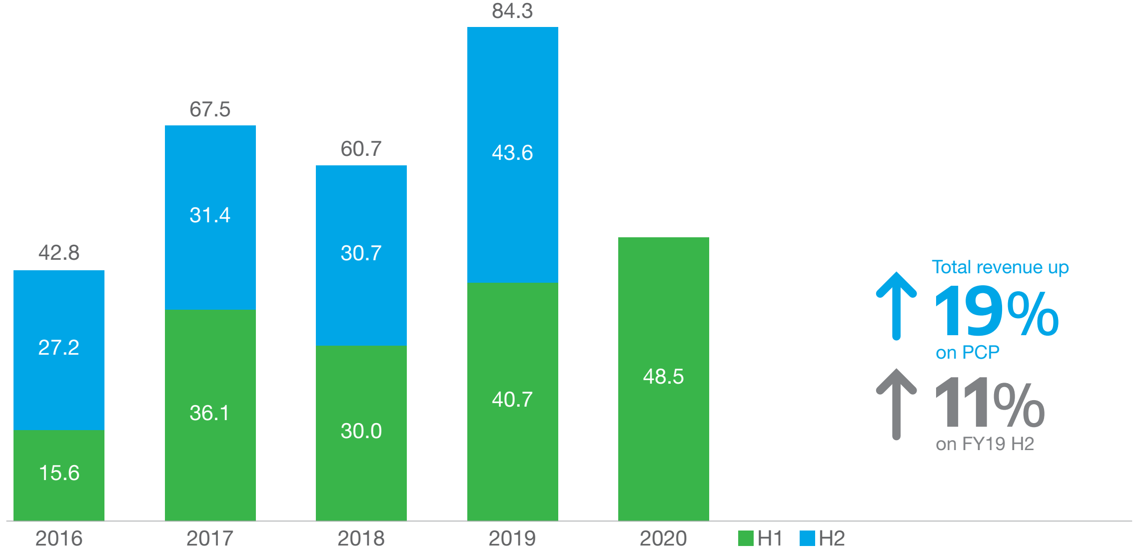
reflecting: growing installed base; impact of increased price of consumables to GE North America effective from November, and timing of shipment of GE North America's January consumables order.

Capital sales for the period were

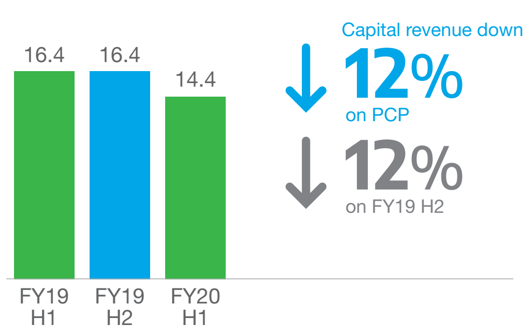
$14.4 million

This includes sales to end user customers which were up 13% on prior corresponding period, reflecting the transition from trophon® EPR to trophon2 at a higher average selling price. Capital sales to the Company's main North American distributor were down 24% on prior corresponding period due to timing of purchases in prior periods and the distributor's inventory management.

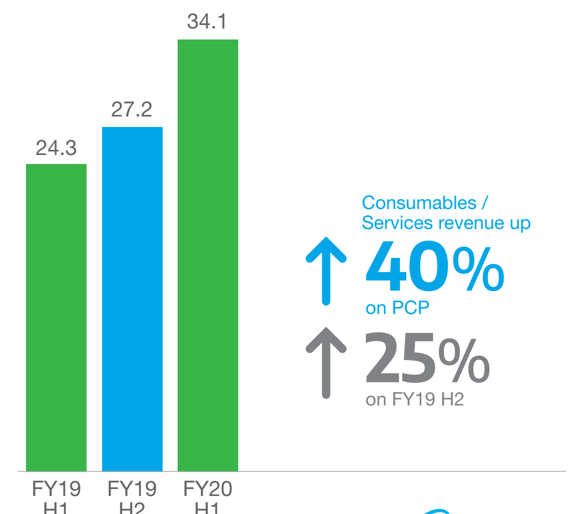
Total Revenue ($'m)



Capital Revenue ($'m)



Consumables / Services Revenue ($'m)



Graphs are not to scale and therefore not comparable.

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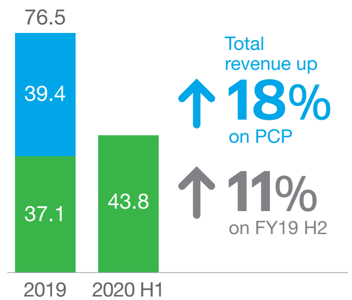
REVENUE MIX BY REGION

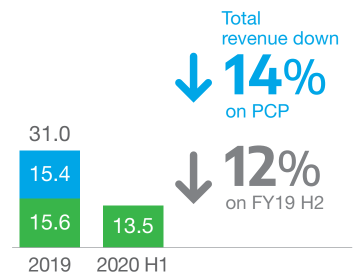
NORTH AMERICA

* Capital revenue includes sales to end user customers which were up 13% on PCP. Capital revenue impacted by a reduction in sales to GE Healthcare, which were down 24% on PCP due to timing of purchases in prior periods and the distributor's inventory management.

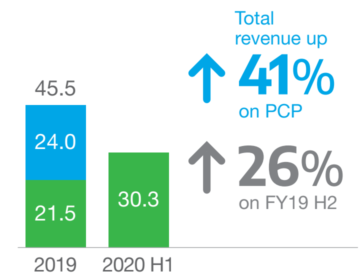
Total Revenue ($'m)



Capital Revenue ($'m)*

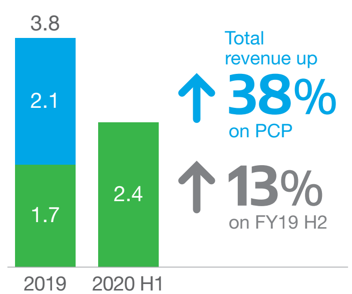


Consumables / Service Revenue ($'m)

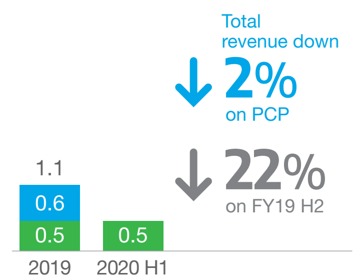


EUROPE AND MIDDLE EAST

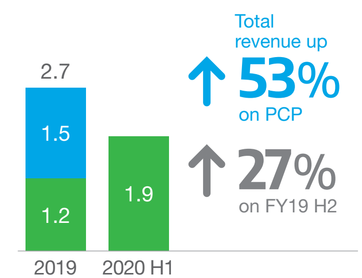
Total Revenue ($'m)



Capital Revenue ($'m)

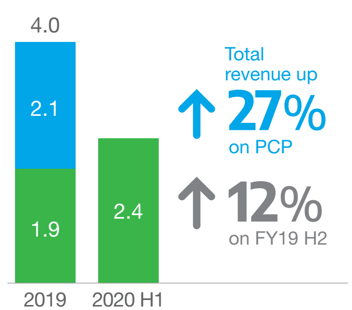


Consumables / Service Revenue ($'m)

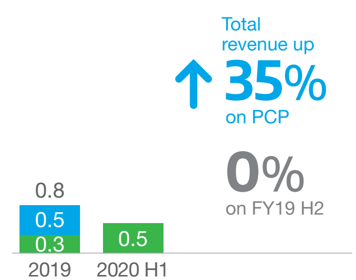


ASIA PACIFIC

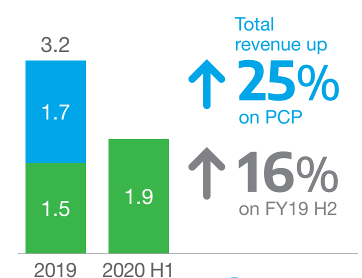
Total Revenue ($'m)



Capital Revenue ($'m)



Consumables / Service Revenue ($'m)



Graphs are not to scale and therefore not comparable. H1 H2

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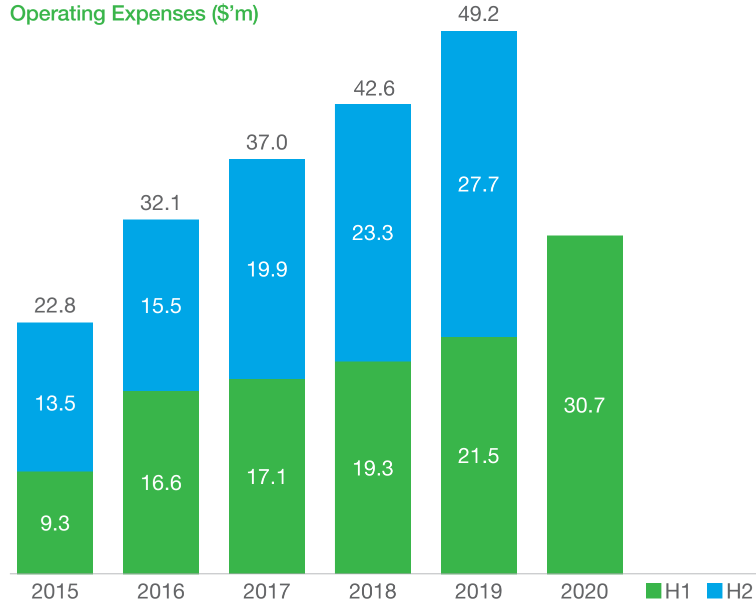
OPERATING EXPENSES

$30.7 million
for the half

Operating Expenses ($'m)

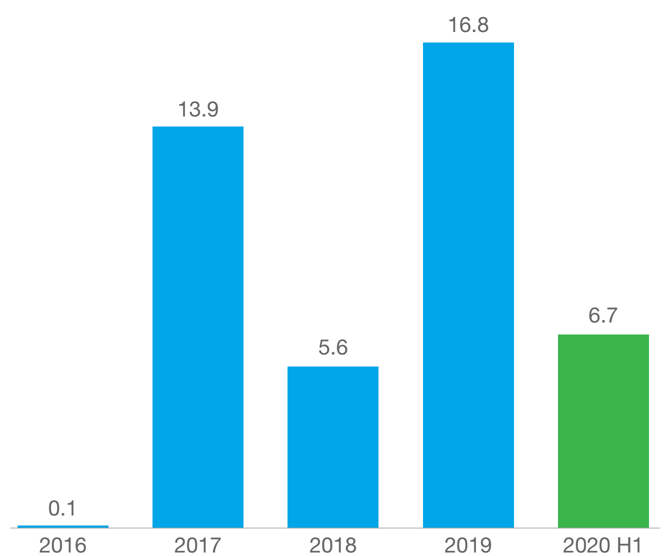


- Operating expenses of $30.7 million for the half, up 11% on prior half and 43% on PCP.
- Continued investment in our growth strategy, including expansion of our regional operations, headcount growth of 10% to 314 and growth of R&D investment of 15% on prior half to $6.8 million.

PROFIT BEFORE TAX

$6.7 million
for the half

Profit Before Tax ($'m)



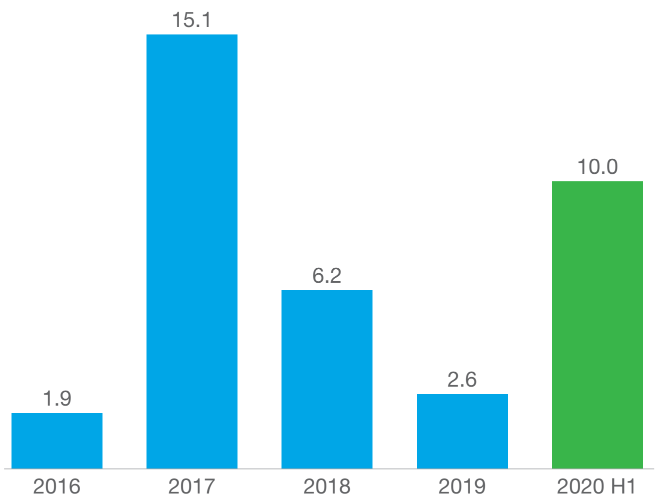
Despite record revenue in the half, as a result of the foreshadowed increased investments, operating profit before tax was $6.7 million, down 39% on prior corresponding period ($5.8 million).

Graphs are not to scale and therefore not comparable.

FREE CASH FLOW

$10.0 million
for the half

Free Cash Flow ($'m)

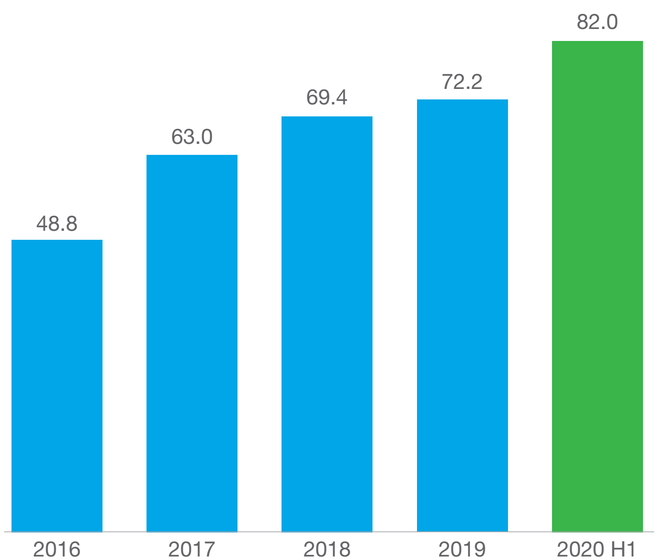


Free cash flow for the half year was $10.0 million compared with $1.6 million in prior corresponding period ($2.6 million in FY19), reflecting increased receipts from customers and lower inventory.

CASH AND CASH EQUIVALENTS

$82.0 million
as at 31 December 2019

Cash and Cash Equivalents ($'m)



Cash and cash equivalents up $9.8 million supporting ongoing growth and expansion.

Graphs are not to scale and therefore not comparable.

PROFIT AND LOSS SUMMARY

$ million	FY20 H1	FY19 H1		Change %	FY19 H2		Change %
Total revenue	**48.5**	**40.7**	▲	**19%**	**43.6**	▲	**11%**
Gross profit	**36.4**	**30.6**	▲	**19%**	**32.3**	▲	**13%**
%	75%	75%			74%		
Operating expenses							
– Selling and general	(17.7)	(11.2)	▲	58%	(15.9)	▲	11%
– Administration	(6.2)	(4.8)	▲	29%	(5.9)	▲	5%
– Research and development	(6.8)	(5.5)	▲	24%	(5.9)	▲	15%
Other gains – net	0.6	1.3	▼	(54%)	0.5	▲	20%
Finance income – net	0.4	0.6	▼	(33%)	0.7	▼	(43%)
Operating income before income tax	**6.7**	**11.0**	▼	**(39%)**	**5.8**	▲	**16%**
Income tax (expense)	(1.0)	(3.9)	▼	(74%)	0.7	▼	(243%)
Profit after income tax	**5.7**	**7.1**	▼	**(20%)**	**6.5**	▼	**(12%)**

Highlights

- Sales of $48.5 million ($45.8 million in constant currency[1]), up 19% (13% in constant currency[1]) vs PCP.
- Gross profit of $36.4 million, or 75% of sales.
- Selling, general and administration expenses of $23.9 million compared with $16.0 million in PCP.
- Research and development expenses $6.8 million compared with $5.5 million in PCP.
- Other net gains, comprising mainly of net foreign currency gains, were 0.6 million, compared with $1.3 million in PCP.
- Income tax expense of $1.0 million, compared with $3.9 million in PCP.

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.

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SIGNIFICANT GLOBAL MARKET OPPORTUNITY

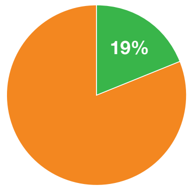
Installed Base Opportunity [1]

Global

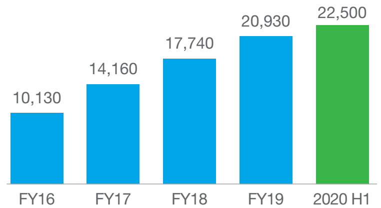
120,000

Units

Market Penetration [2]



Global



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

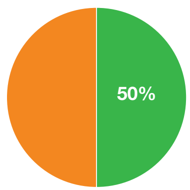
Installed Base Opportunity [1]

North America

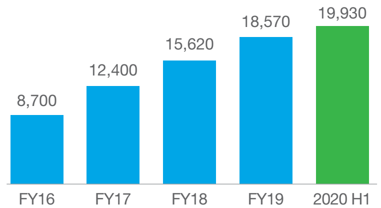
40,000

Units

Market Penetration [2]



North America



- Fundamentals for adoption strong with requirements for HLD in place.
- trophon® installed base over 19,930 and already in over 5,000 hospitals and clinics, including majority of luminary hospitals.
- Nanosonics has a direct sales operation of 71 people as well as partnerships with all leading ultrasound companies to drive ongoing adoption.

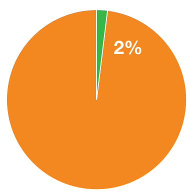
Installed Base Opportunity [1]

Europe and Middle East

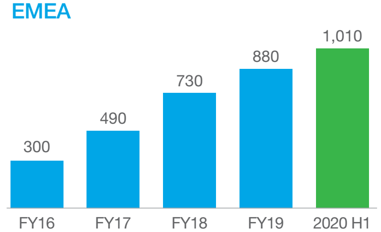
40,000

Units

Market Penetration [2]



EMEA



- Expanded geographical reach, stronger fundamentals for adoption and growing awareness.
- Expanded infrastructure with sales teams increasing in the UK and Germany, appointment of local clinical and regulatory leadership and appointment of dedicated resource to support distributor partners.
- A range of business models in place to support market requirements.

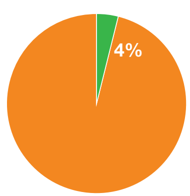
Installed Base Opportunity [1]

Asia Pacific

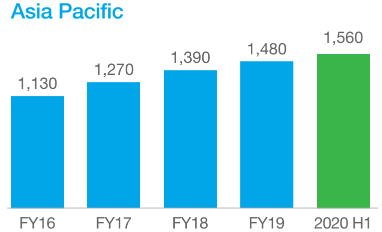
40,000

Units

Market Penetration [2]



Asia Pacific



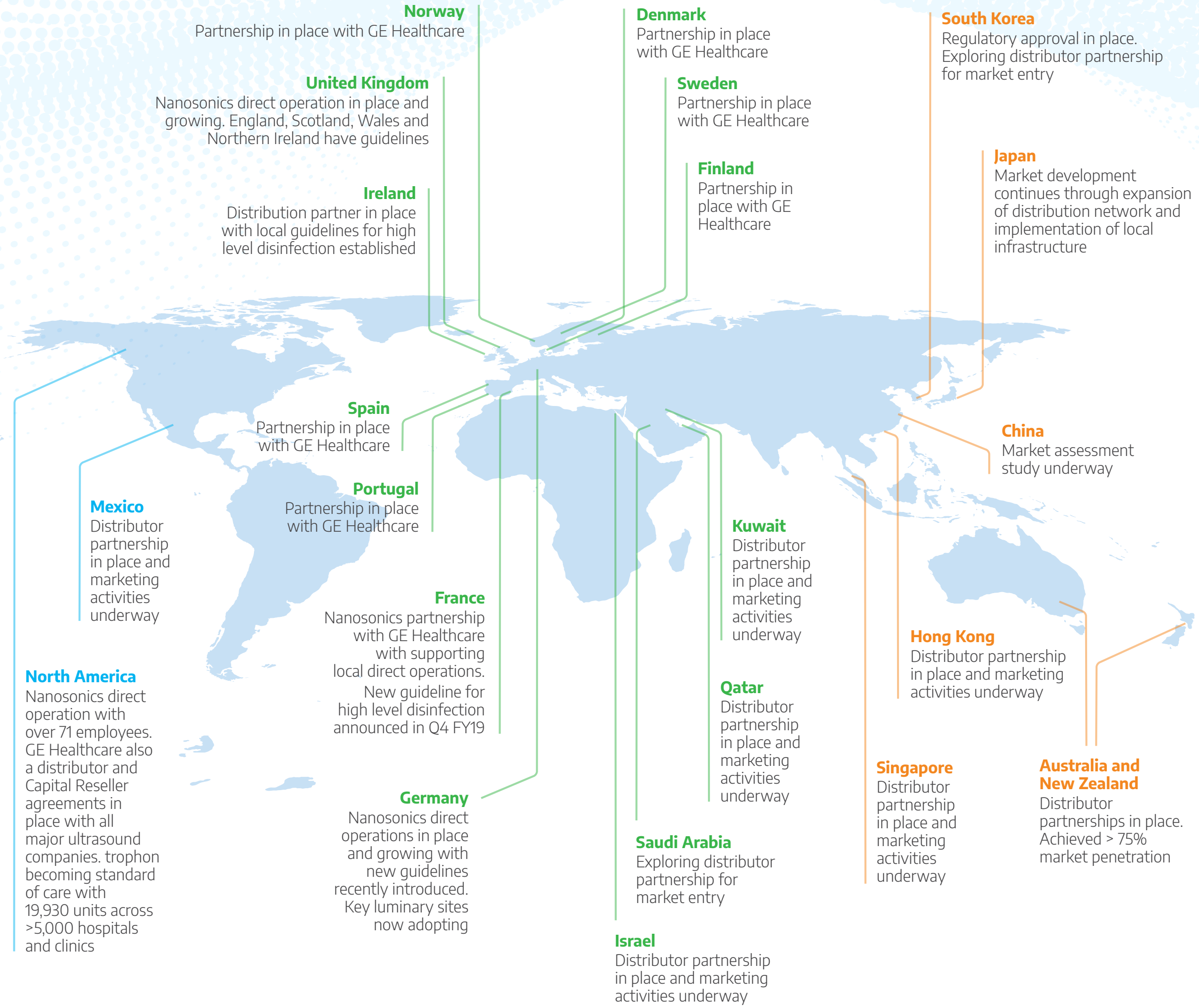
- Sales mainly in ANZ where market penetration is >75%.
- Japan market development strategy continues with distribution agreements in place with five key distributors.
- Continued development of China market entry strategy.
- Assessment for further expansion across Asia Pacific underway.

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

Graphs are not to scale and therefore not comparable.

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.



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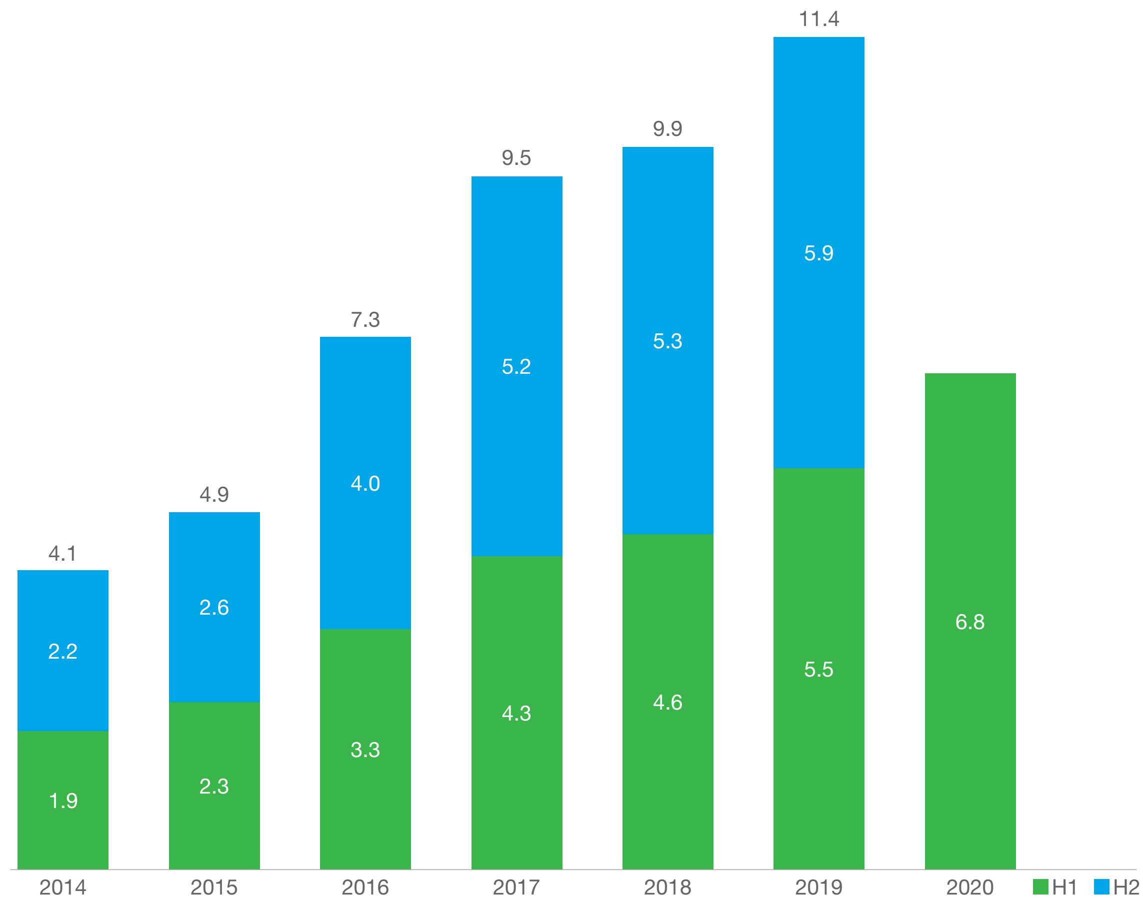
New Product Development

Significant investments are being made in **Research & Development** up 15% in half to $6.8 million.

Investment in R&D ($'m)



NEW PRODUCT DEVELOPMENT

Our core areas of R&D interest in the infection prevention landscape include:

Infection Prevention. For Life.

Instrument Cleaning

Mandatory critical first step which sets up the effectiveness of all downstream disinfection procedures.

Compliance and Traceability

Digitally-enabled tools to increase visibility and control around infection risk mitigation.

Instrument Disinfection

High-level and low-level disinfection, and sterilisation for medical devices before re-use with a patient.

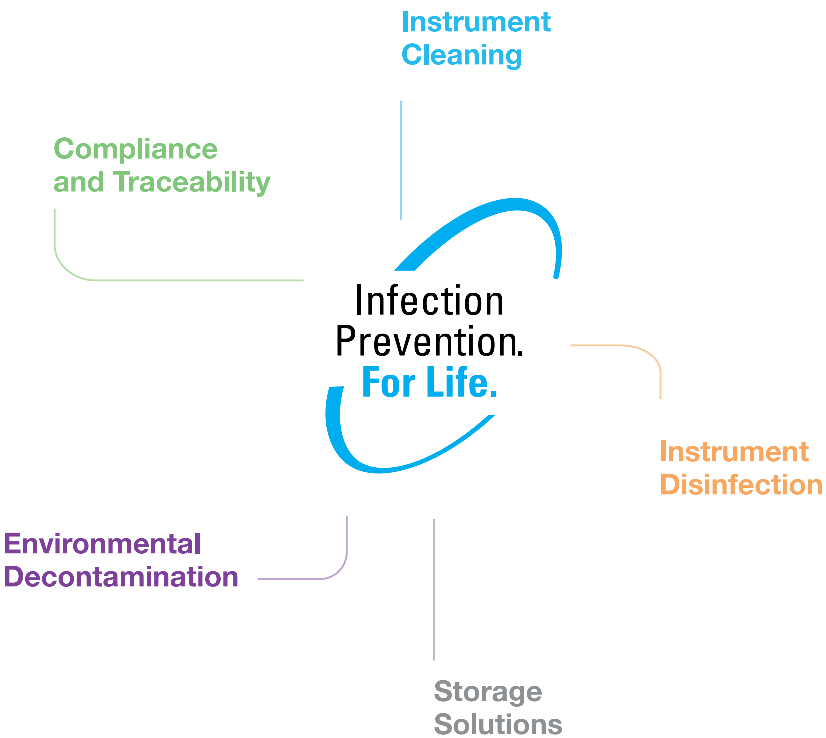
Environmental Decontamination

Novel technologies and chemistries to reduce cross-contamination risk coming from high contact surfaces and environment.

Storage Solutions

Assurance that reprocessed devices are not subsequently contaminated and are always available for next use.

Active programs are in place covering a number of the areas outlined above.



NANOSONICS' NEXT NEW PLATFORM TECHNOLOGY

- Nanosonics is investing significantly to progress its next new innovative platform technology, which is being designed to address a major unmet need in infection prevention today.
- Would involve both capital equipment and consumables.
- Targeting a large addressable market which, if successful, is considered to be similar in financial opportunity to trophon.
- Subject to technical milestones and timing of individual market regulatory approvals, the Company is targeting commercial introduction in FY21[1].

1. All research and new product development programs involve inherent risks and uncertainties which can impact commercialisation timelines.

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OUR STRATEGIC PRIORITIES

Trophon as standard of care

- Support establishment of international guidelines.
- Provide awareness and education to highlight risks of cross contamination for all semi critical transducers.
- Ensure customers have a positive experience with all aspects of the product and brand.

Expand geographic footprint

- Expand operations across Asia Pacific and EMEA with trophon plus new products.

Product expansion

- Expand portfolio of infection prevention solutions to address unmet needs.
- Leverage technology platforms for potential expanded indications.

Invest to grow

- Maintain strong financial position to support growth.
- Deliver operational efficiencies, scale and leverage.

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BUSINESS OUTLOOK

FY20

The Company is targeting:

- Continued growth in installed base in North America with FY20 adoption similar to FY19.
- Adoption of trophon in Europe to grow from:
  - Expanded geographical reach, stronger fundamentals for adoption and growing awareness; and
  - Ongoing investment in Nanosonics' European infrastructure under leadership of new Regional President appointed in first half.
- Ongoing investment in Asia Pacific growth strategy with continued focus on strengthening the fundamentals for adoption in Japan as well as market opportunity assessments across the region including China.
- Continued investment in growth with operating expenses in H2 expected to be between $36 million and $37 million resulting in full year operating expenses of approximately $67 million to $68 million. This includes approximately $15 million in R&D.
- FY20 profit phasing now more balanced between H1 and H2 as a result of timing of consumables sales in H1 and the phasing of operating expenses between each half.

The Company is actively considering and monitoring potential risks associated with the recent Coronavirus outbreak. Currently there are no material impacts to the business operations. However, the situation continues to be closely monitored.

BEYOND FY20

The Company is targeting:

- 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 including China.
- Ongoing investment in R&D, infrastructure, people and capability to drive the strategic growth agenda.
- Commercial introduction of Nanosonics' next new innovative platform technology in FY21, subject to technical milestones and timing of individual market regulatory approvals[1].

1. All research and new product development programs involve inherent risks and uncertainties which can impact commercialisation timelines.

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Thank you