nanosonics

Infection Prevention. For Life.

Infection Prevention. For Life.

2022 HALF YEAR RESULTS

INVESTOR PRESENTATION

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

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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.

"Despite the significant and rapid increase in COVID-19 infections in the first half of FY22 associated with the Delta and more recently the Omicron variants, the Company maintained the positive momentum achieved in the second half of FY21."

– Michael Kavanagh

H1 FY22 – KEY HIGHLIGHTS

INSTALLED BASE	TOTAL REVENUE	CAPITAL REVENUE	CONSUMABLES/ SERVICE REVENUE
28,160	\$60.6m	\$19.0m	\$41.6m
▲12% *In last 12 months*	▲41% *vs. FY21 H1 (PCP[1])*	▲102% *vs. FY21 H1 (PCP)*	▲23% *vs. FY21 H1 (PCP)*
▲5% *In last 6 months*	▲1% *vs. FY21 H2 (Prior Half)*	▲10% *vs. FY21 H2 (Prior Half)*	▼3% *vs. FY21 H2 (Prior Half)*

[1]PCP = Prior Corresponding Period

H1 FY22 – KEY HIGHLIGHTS CONTD.

PERFORMANCE

NORTH AMERICAN UPGRADES of 380 units up 124% compared with H2 FY21.

OPERATING PROFIT BEFORE TAX of $3.3 million, compared with $0.2 million in prior corresponding period.

FREE CASH FLOW for the half year was a net outflow of $3.8 million.

CASH AND CASH EQUIVALENTS of $92.0 million. The Company has no debt and cash position continues to provide a strong foundation for growth investment.

INVESTMENTS

CONTINUED INVESTMENT IN STRATEGIC GROWTH AGENDA with operating expenses of $42.7 million, up 29% on prior corresponding period and up 13% compared with H2 FY21.

CONTINUED INVESTMENT IN PRODUCT EXPANSION STRATEGY with R&D investment of $10.7 million, increasing 41% on prior corresponding period and 11% on H2 FY21.

Development activities associated with the Company's new endoscope reprocessing product platform, **NANOSONICS CORIS® CONTINUE TO PROGRESS.**

LEASE SIGNED ON NEW CORPORATE HEADQUARTERS, MANUFACTURING AND R&D FACILITY in Macquarie Park significantly increasing capacity for ongoing growth. NSW Government Grant received to support expansion of facility and jobs creation.

REVISED NORTH AMERICA SALES MODEL TRANSITION plans commenced.

INSTALLED BASE GROWTH

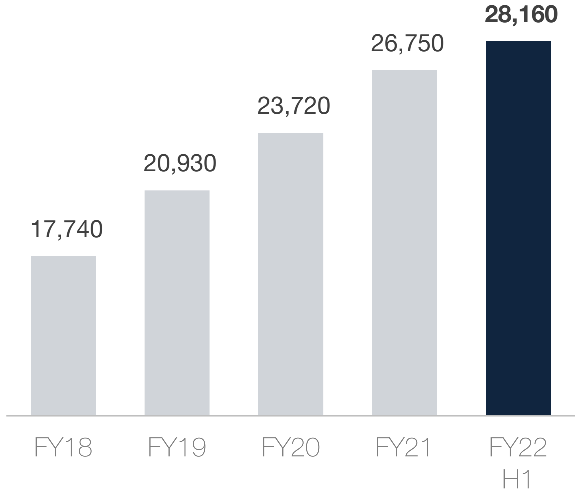
28,160 units

Global installed base grew 12% in the last 12 months and 5% in last 6 months.

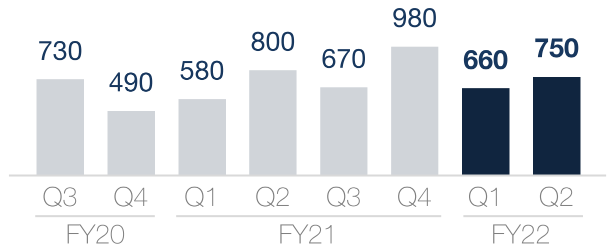
▲14% Q2 vs. Q1

Impact of increasing COVID-19 infections during the half primarily felt in Q1 with a general improvement between Q1 and Q2 of FY22 experienced with new installed base growth up 14% quarter over quarter.

TOTAL INSTALLED BASE



NEW INSTALLED BASE BY QUARTER



CUMULATIVE INSTALLED BASE

▲12% in 12 mos.

▲5% in 6 mos.

NEW INSTALLED BASE GROWTH

▲14% Q2 FY22 vs. Q1 FY22

Graphs are not to scale and therefore not comparable
PCP = Prior Corresponding Period

REGIONAL INSTALLED BASE

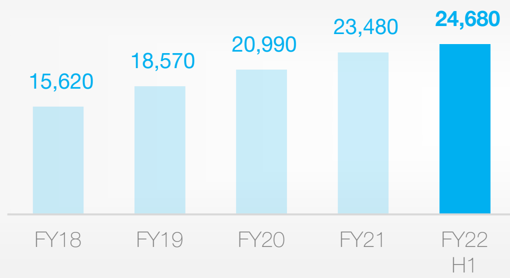
H1 FY22

TOTAL INSTALLED BASE

NEW INSTALLED BASE BY QUARTER

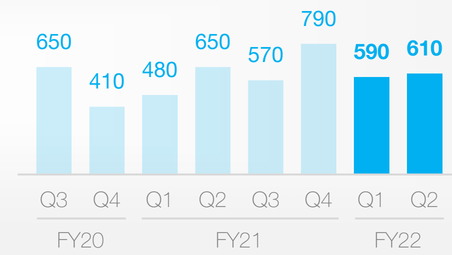
NORTH AMERICA

Total installed base up 12% in last 12 months and 5% in last 6 months. Currently at 41% of estimated TAM of 60,000 units where trophon represented in over 5,000 institutions.



▲12% in 12 mos.

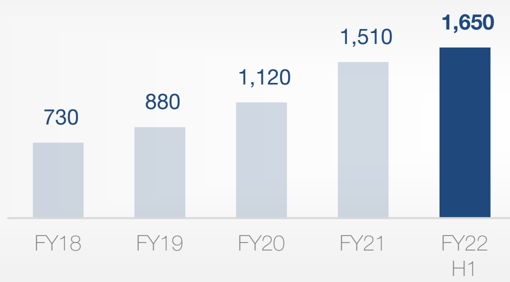
▲5% in 6 mos.



▲3% Q2 vs. Q1

EUROPE AND MIDDLE EAST

Total installed base up 25% in last 12 months and 9% in last 6 months. New units installed in H1 (140 units) down 30% vs. PCP with impact of COVID-19 (Delta & Omicron variants) particularly felt in Q1. Significant recovery was experienced in Q2 as market restrictions eased.



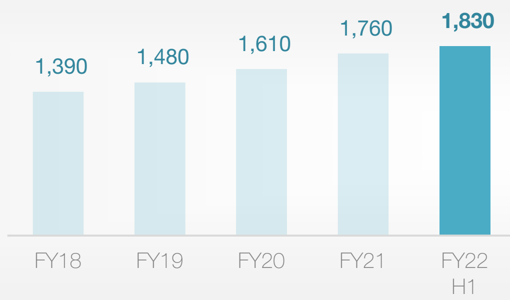
▲25% in 12 mos.

▲9% in 6 mos.

▲267% Q2 vs. Q1

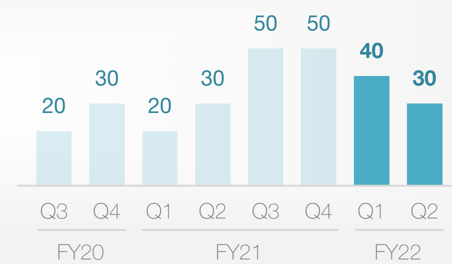
ASIA PACIFIC

Total installed base up 10% in last 12 months and 4% in last 6 months. COVID-19 restrictions were pronounced in ANZ and Japan throughout the first half, with those restrictions now easing.



▲10% in 12 mos.

▲4% in 6 mos.



▼25% Q2 vs. Q1

Graphs are not to scale and therefore not comparable
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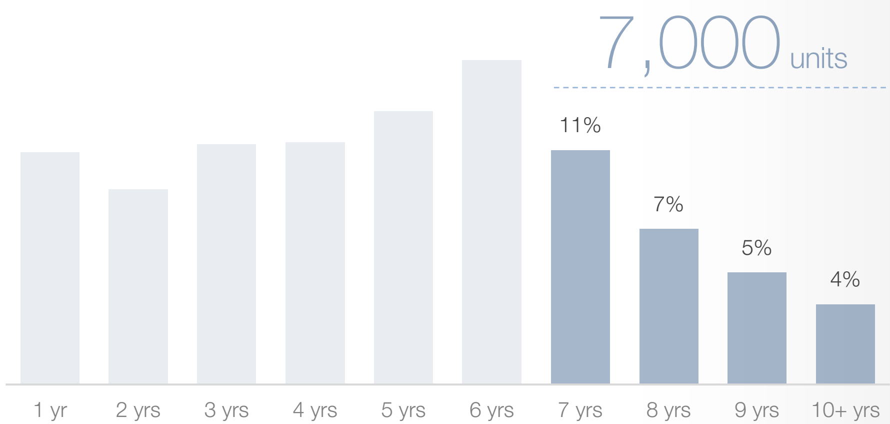
NORTH AMERICA – UPGRADES

H1 FY22

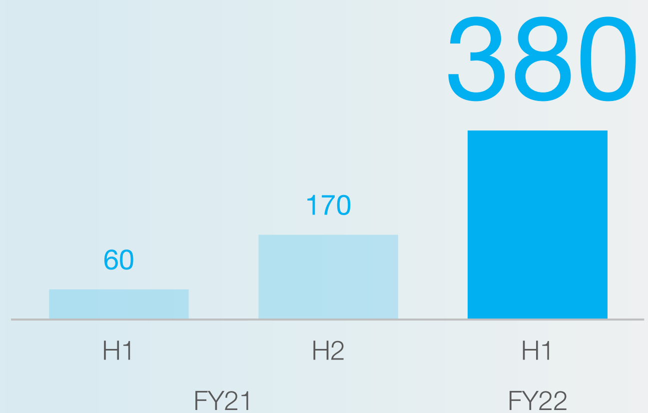
Developing strong momentum in capturing upgrade value.

GROWING OPPORTUNITY



NORTH AMERICA INSTALLED BASE AGE DISTRIBUTION[1]
AT DEC 2021

NORTH AMERICA UPGRADED UNITS



▲533% vs. PCP

▲124% vs. Prior Half

[1] Upgrades as a % of cumulative Installed Base 7 years or older

FINANCIAL RESULTS REVIEW

H1 FY22

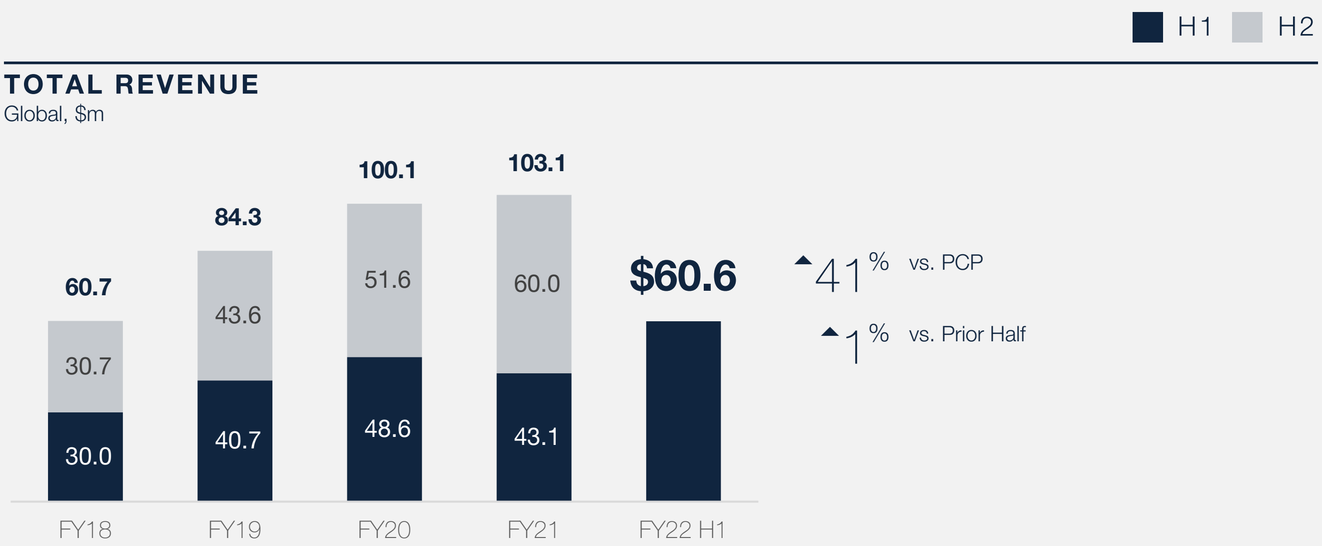
$60.6m

Total revenue for the half year was $60.6 million, up 41% compared with the prior corresponding period.

Capital revenue for the half up 102% on PCP and up 10% compared to prior half reflecting new installed base as well as upgrade sales. **Consumables and service revenue** for the half up 23% on PCP and down 3% compared to prior half reflecting some disruption to ultrasound procedure volumes including hospital staff shortages associated with increasing infections rates from Delta and Omicron variants of COVID-19.

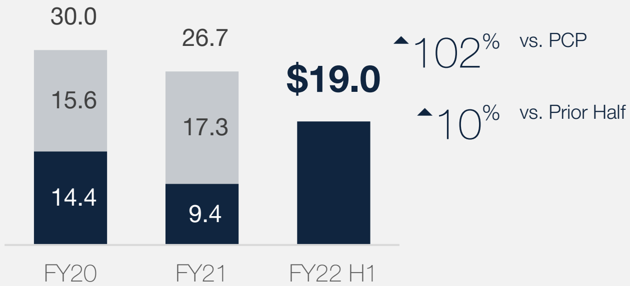
TOTAL REVENUE

Global, $m



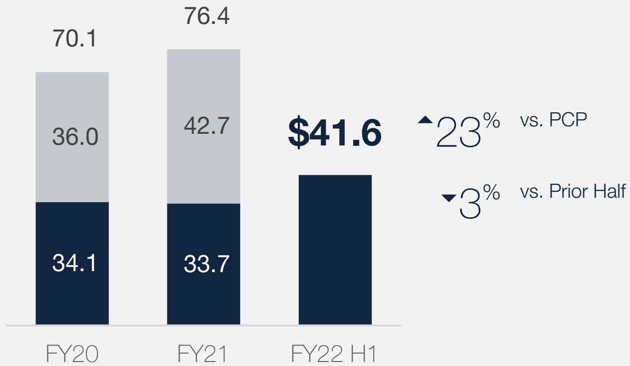
CAPITAL REVENUE

Global, $m



CONSUMABLES/SERVICE REVENUE

Global, $m



Graphs are not to scale and therefore not comparable
PCP = Prior Corresponding Period

NORTH AMERICA – REVENUE

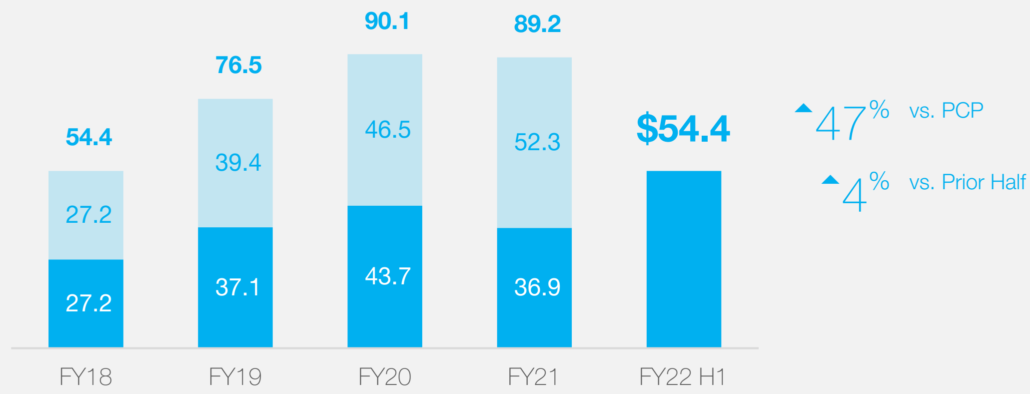
$54.4m

North America **total revenue** for the half was $54.4 million, up 47% on PCP and up 4% vs prior half.

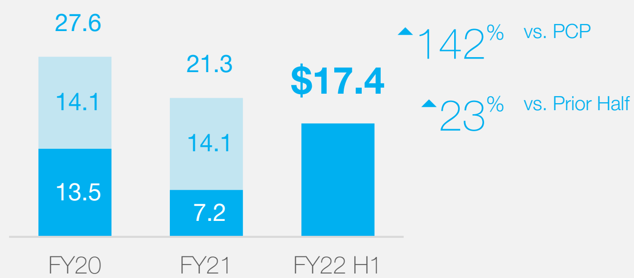
Capital revenue growth reflects the ongoing increase in new installed base and upgrade sales. **Consumables and service revenue** of $37.0 million for the half was up 25% on PCP but reduced 3% on the prior half which was primarily associated with the impact of the Delta and Omicron variants on growth in COVID-19 infections.

H1 H2

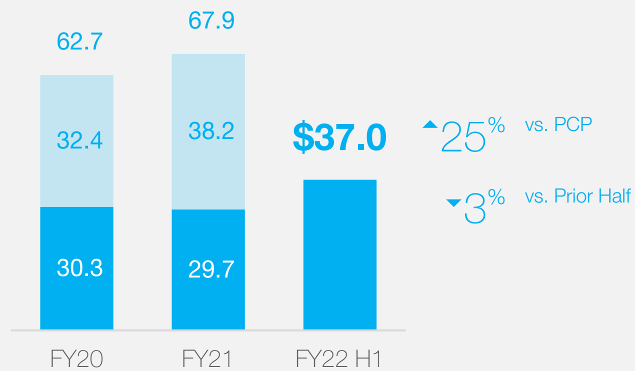
TOTAL REVENUE
North America, $m



CAPITAL REVENUE
North America, $m



CONSUMABLES/SERVICE REVENUE
North America, $m



Graphs are not to scale and therefore not comparable
PCP = Prior Corresponding Period

H1 FY22

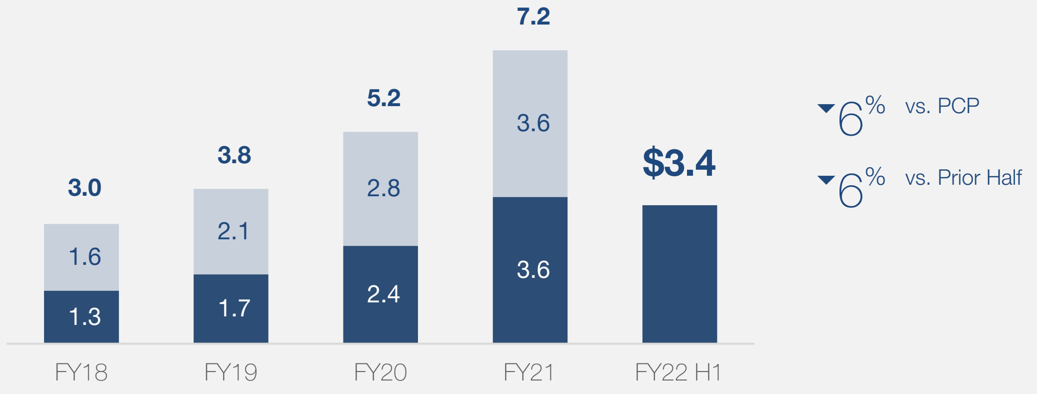
$3.4m

Europe and Middle East **total revenue** for the half was $3.4 million which was down 6% on PCP and the prior half. Key driver was reduction in capital revenue due to impacts of Delta and Omicron variants of COVID-19 on infection rates.

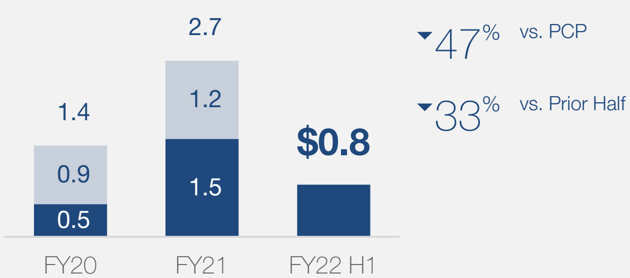
Capital revenue was impacted by slower Q1 new installed base growth, which significantly recovered in Q2 as market restrictions eased. **Consumables and service revenue** for the half was up vs. prior halves with ultrasound procedure volumes not being significantly impacted.

H1 H2

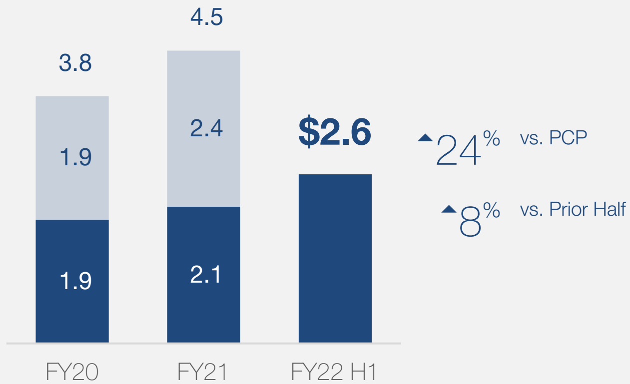
TOTAL REVENUE
Europe and Middle East, $m



CAPITAL REVENUE
Europe and Middle East, $m



CONSUMABLES/SERVICE REVENUE
Europe and Middle East, $m



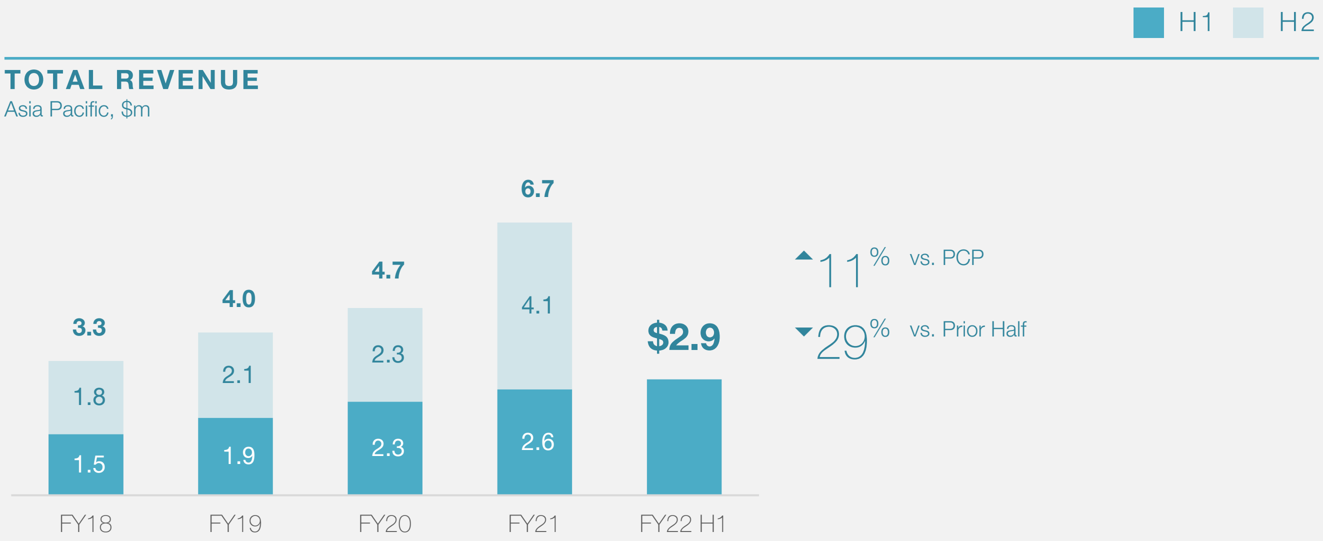
Graphs are not to scale and therefore not comparable
PCP = Prior Corresponding Period

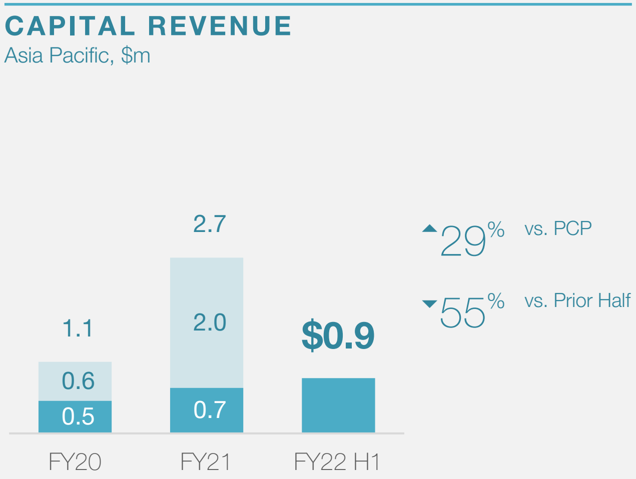
$2.9m

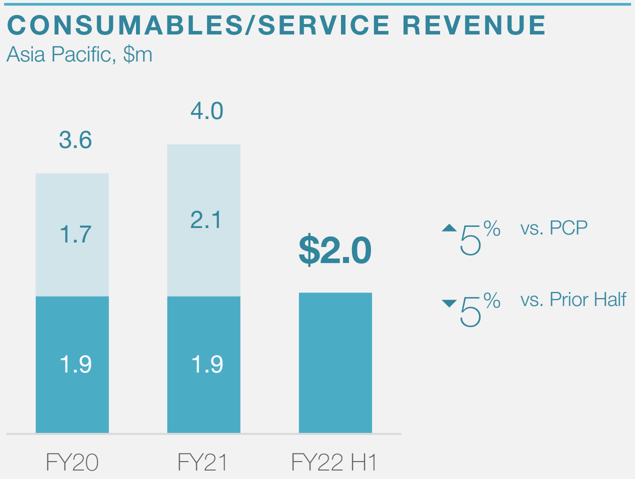
Asia Pacific **total revenue** for the half was $2.9 million which was up 11% vs PCP and down 29% on prior half.

Prior half included a one-off sale of 200 trophon upgrades.

Capital revenue in the first half was up 29% on PCP, but down 55% on the prior half which included a one-off 200-unit upgrade sale. Excluding prior half upgrade sales, capital revenue was flat between the halves. **Consumables and service revenue** was up 5% on PCP and down 5% vs prior half reflecting strict lockdown measures in place in both ANZ and Japan in the half.







Graphs are not to scale and therefore not comparable
PCP = Prior Corresponding Period

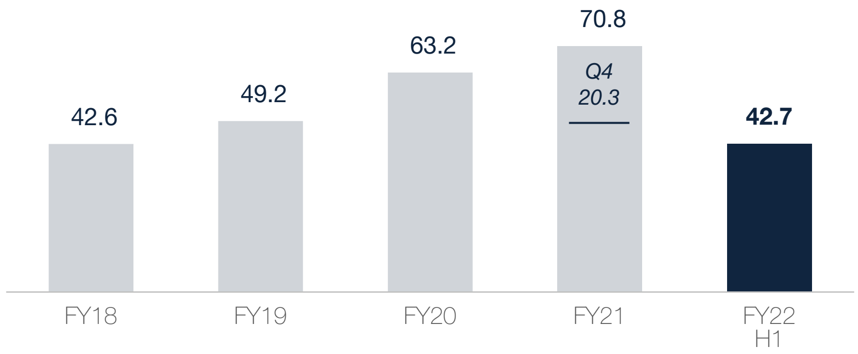
H1 FY22

$42.7m

The company continued its investment in its strategic growth agenda with operating expenses of $42.7 million, up 29% on prior corresponding period and up 13% compared with H2 FY21.

OPERATING EXPENDITURE

Global, $m



▲29% vs. PCP

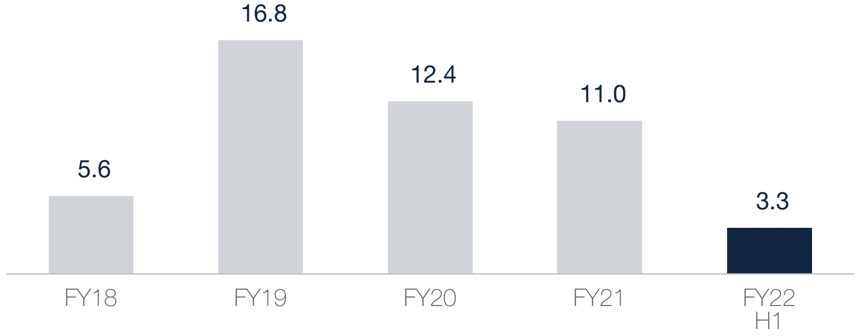
▲13% vs. Prior Half

$3.3m

The company achieved an operating profit before tax of $3.3 million, compared with $0.2 million in the prior corresponding period.

PROFIT BEFORE TAX

Global, $m



▲1550% FY22 H1 vs. FY21 H1 (PCP)

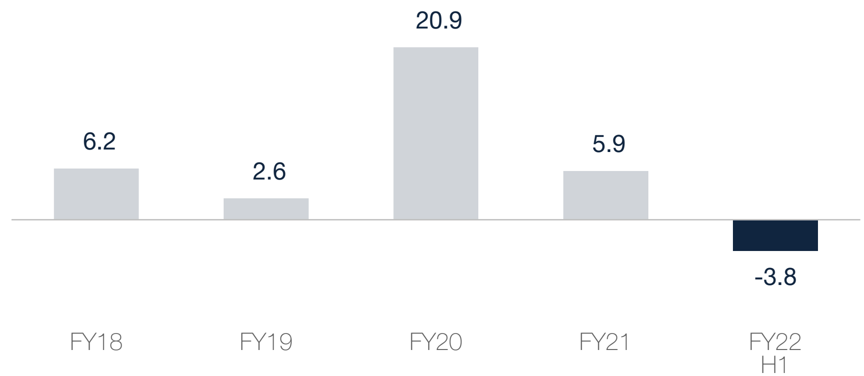
Graphs are not to scale and therefore not comparable
PCP = Prior Corresponding Period

$(3.8)m

Total free cash flow for the half year was a net outflow $3.8 million, driven mainly by capital expenditure associated with the new corporate headquarters.

FREE CASH FLOW

Global, $m



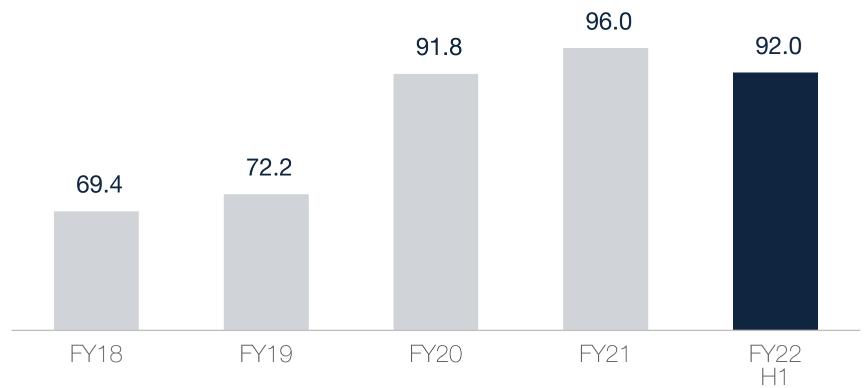
$92.0m

as at 31 December 2021

The Company has no debt, and its cash position continues to provide a strong foundation to support its growth plans.

CASH AND CASH EQUIVALENTS

Global, $m



PROFIT AND LOSS SUMMARY

H1 FY22

$ million	FY22 H1	FY21 H1	Change % (v. H1FY21)	FY21 H2	Change % (v. H2FY21)
Capital revenue	19.0	9.4	▲ 102%	17.3	▲ 10%
Consumable/Service revenue	41.6	33.7	▲ 23%	42.7	▼ 3%
Total revenue	**60.6**	**43.1**	▲ 41%	**60.0**	▲ 1%
Gross profit	**46.4**	**34.2**	▲ 36%	**46.2**	▲ 0%
%	*77%*	*79%*		*77%*	
Operating expenses					
Selling and general	(22.3)	(17.8)	▲ 25%	(19.8)	▲ 13%
Administration	(9.7)	(7.6)	▲ 28%	(8.4)	▲ 15%
Research and development	(10.7)	(7.6)	▲ 41%	(9.6)	▲ 11%
Other income	0.1	0.0	▲	0.2	▼ 50%
Other (losses)/gains-net	(0.5)	(1.2)	▲ 58%	2.2	▼ 123%
Earnings before interest and tax	3.4	0.0	▲	10.8	▼ 69%
Finance income (net)	(0.1)	0.2	▼ 150%	0.0	▼ 1%
Operating income before income tax	**3.3**	**0.2**	▲ 1,550%	**10.8**	▼ 69%
Income tax benefit/(expense)	0.6	1.3	▼ 54%	(3.7)	▲ 116%
Profit after income tax	**3.9**	**1.5**	▲ 160%	**7.1**	▼ 45%

HIGHLIGHTS

- Revenue of $60.6 million, up 41% on prior corresponding period (40% in CC*), and up 1% on prior half.
- Gross profit of $46.4 million or 77% of revenue.
- Continued investment in the Company's growth strategy with 1st half operating expenses of $42.7 million, up 29% on prior corresponding period.
  - Selling and general expenses of $22.3 million compared with $17.8 million in prior corresponding period;
  - Administration expenses of $9.7 million compared with $7.6 million on prior corresponding period; and
  - Research and development expenses of $10.7 million, up 41% on prior corresponding period and up 11% on prior half as the Company continued to invest in its product expansion strategy.
- Other losses comprised mainly of net foreign currency losses.
- Net finance expense of $0.1 million, down mainly as a result of lower interest income.

** Constant currency removes the impact of foreign exchange rate movements to facilitate comparability of operational performance. This is done by converting the current period sales of entities that use currencies other than Australian dollars at the rates that were applicable in the prior period. The average exchange rate used for the Company's major foreign currency (USD) for the 6 months to December 2021 was 0.7355 (2020:0.7163).*

REVISED NORTH AMERICAN SALES MODEL

Nanosonics has the capability and experience to provide an end-to-end customer experience ensuring a smooth transition to the revised capital reseller / pass-through sales model.

END-TO-END CUSTOMER EXPERIENCE

	GE Healthcare	nanosonics
INVENTORY & WAREHOUSING	✗ Consume existing inventory then no inventory holding	✓ **20,000 sq ft** logistics facility + Expanded warehouse **capacity**
SALES	✓ Pass-through sales model as **Capital Reseller**[1]	✓ **21** sales territories established **54 Sales & Clinical** employees **+12** new roles being recruited
SHIP INSTALL TRAIN	→ Transition to Nanosonics under pass-through model	✓ Established **logistics operation** Established **Sales and Clinical organisation**
INSTALLED BASE MANAGEMENT	→ Transition GE trophon Installed Base to Nanosonics	✓ **100%** of consumables sales **Direct access to all customers**

[1]From 8 February to 30 June 2022.
Nanosonics and GE are in discussions for a new reseller agreement to come into effect from 1 July 2022.

In addition to managing a growing installed base, Nanosonics strives to deliver continuous value over the lifetime of trophon by driving improved compliance with HLD standards.

trophon growth

Each new installed base unit delivers exceptional customer value for 7 years, while generating annuity revenue over that period.

Usage per trophon

With >150 ultrasound procedures requiring HLD, there is an opportunity to drive increased compliance and usage across the existing installed base.

Capital upgrades

Refreshing the installed base offers existing customers new features and benefits, additional value, and extends barriers to competitive entry.

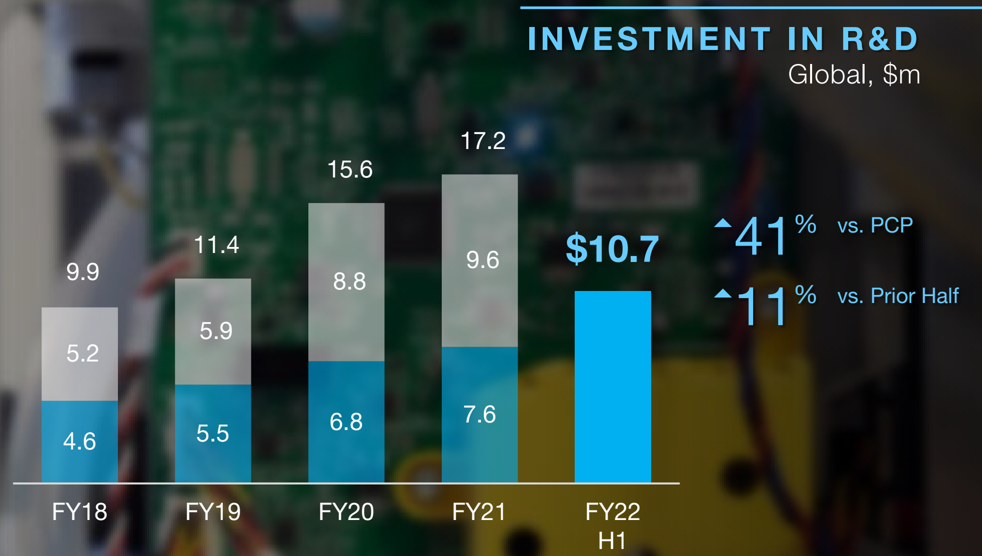
INVESTING FOR GROWTH
RESEARCH & DEVELOPMENT

During the first half, Nanosonics continued to invest in its product expansion strategy. R&D investment increased to

$10.7m

directed across multiple projects.

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



Progress continues in the development activities associated with the Company's new endoscope reprocessing product platform – Nanosonics Coris®.

LOOKING AHEAD

"Nanosonics' forward-looking growth agenda continues with significant opportunities for growth of the trophon franchise as well as significant opportunities from the planned expanded product portfolio."
- Michael Kavanagh

OUR STRATEGIC PRIORITIES

TROPHON AS STANDARD OF CARE

Support establishment of national 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 & 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.

Strategic acquisitions in the infection prevention space.

INVEST TO GROW

Maintain strong financial position to support growth.

Deliver operational efficiencies, scale and leverage.

“Despite the inherent risks and uncertainties associated with COVID-19, we remain optimistic the shift from pandemic to endemic management measures from H2 FY22 will improve market conditions enabling further capital and consumables growth.”

– Michael Kavanagh

FY22 BUSINESS OUTLOOK

(assuming the positive market recovery trends continue)

REVENUE GROWTH VS. FY21 ↑

Increasing global installed base
Increasing consumables usage across all regions as market conditions improve
Growth in EPR to trophon2 upgrades
Net of impact of $13-16 million associated with revised NA sales model

GROSS PROFIT MARGIN ~75%

Increasing capital (new IB and upgrades) in revenue mix

OPERATING EXPENSES $93m

Continued investment in our long-term strategic growth agenda

BEYOND FY22

TROPHON BUSINESS GROWTH

Global expansion of trophon installed base and associated ecosystem
Increasing upgrade momentum and conversions to trophon2
Critical new markets brought online, including Japan and China

NEW SOURCES OF REVENUE

Launch of Nanosonics AuditPro™ to new markets
Further new product launches

INVESTMENT IN INNOVATION

Expanded product portfolio through internal product development and R&D
Opportunities for strategic acquisitions and product licensing

LEADERSHIP IN INFECTION PREVENTION

Ongoing investment in R&D, infrastructure, people and capabilities to drive our global growth strategy