

2018 Full Year Results

Investor Presentation

Michael Kavanagh, CEO and President
McGregor Grant, Chief Financial Officer



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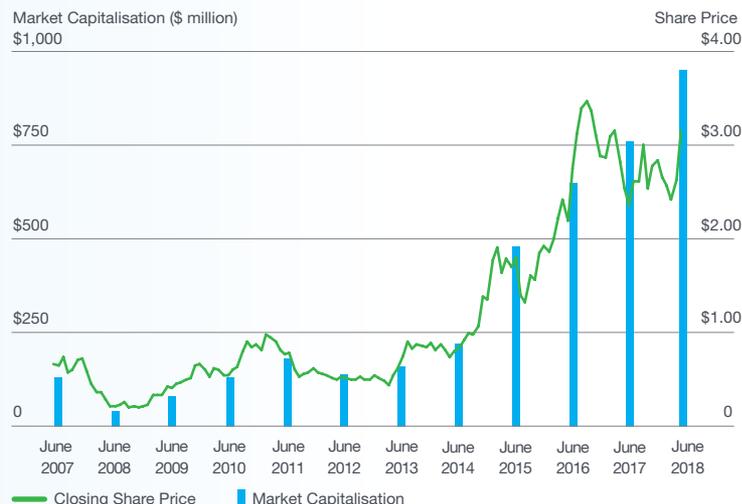
OUR MISSION

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
- 225 staff across Australia, US, Canada, UK, Germany and France
- Sold direct and through distributors including leading brands such as: GE Healthcare, Philips, Samsung, Siemens and Toshiba
- Active R&D program targeting expansion of product portfolio for Infection Prevention market

Shareholder Return



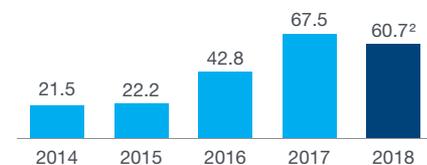
1. As at 14 August 2018.
2. See page 9 for review of revenue result.

Key Corporate Data¹

Share price	\$3.47
Shares on issue	299.3 million
Market capitalisation	\$1,038.6 million
Liquidity (30 day avg.)	1.2 million shares
Cash (30 Jun 18)	\$69.4 million
Share register breakdown (30 Jun 18)	Founders/ Related Parties 16.9% Institutions 53.6% Private 29.5%

Financial Overview

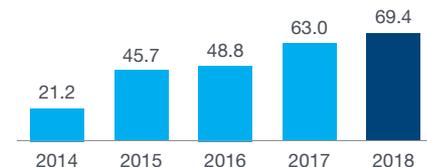
Sales Revenue (\$M)



PBT (\$M)



Cash (\$M)



The 2018 financial year has been a year of ongoing achievement and success with very solid progress across all aspects of the Nanosonics business as we continue to execute on our long term strategic growth agenda.



FY18 - HIGHLIGHTS

- Global installed base increased 25% to 17,740 units.
 - North America up 26% to 15,620 units.
 - EMEA up 49% to 730 units.
 - Asia Pacific/Middle East up 9% to 1,390 units.
- Fundamentals for ongoing adoption of trophon continued to strengthen with a range of new guidelines and studies published internationally.
- Earlier than anticipated regulatory approval of trophon®2 with North America and European launch in August 2018.
- Revenue of \$60.7 million reflects:
 - Transitional reduction in capital revenue associated with the earlier than anticipated regulatory approval of trophon2 and subsequent run down of trophon EPR inventory by distributors.
 - Some customers deferring purchase, pending launch of trophon2 in Q1 of FY19.
 - A broadening number of selling models each with different revenue profiles, including Managed Equipment Service in the UK, where a growing number of trophon units were placed with no upfront capital revenue recognised.
- Revenue associated with consumables and service up 25% to \$35.2 million (\$36 million in cc), reflecting benefit of ongoing installed base growth.
- Major investment in regional operations to support continued growth.
- Continued investment in R&D targeting one or more new infection prevention solutions by end of FY20 subject to regulatory approvals.
- Geographical expansion into new territories.
- Cash balance up \$6.4 million to \$69.4 million – supports active growth and expansion.

INSTALLED BASE

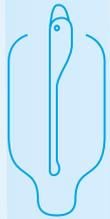
Global installed base grew 25% to

17,740
units

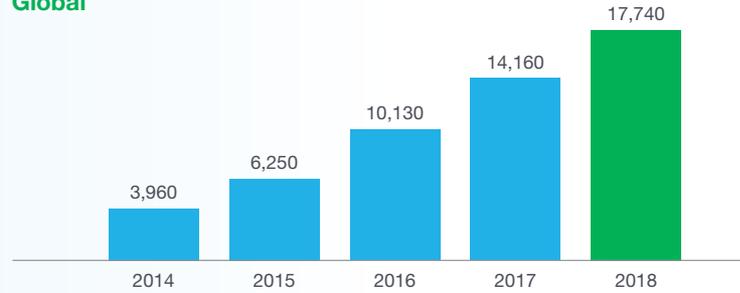
Every day approximately

+55k

patients are protected from the risk of cross contamination because their probe has been trophoned

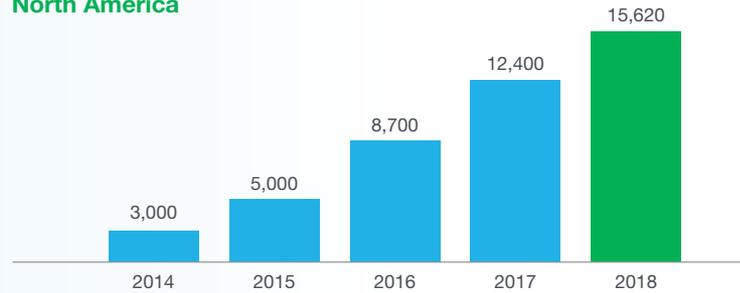


Global



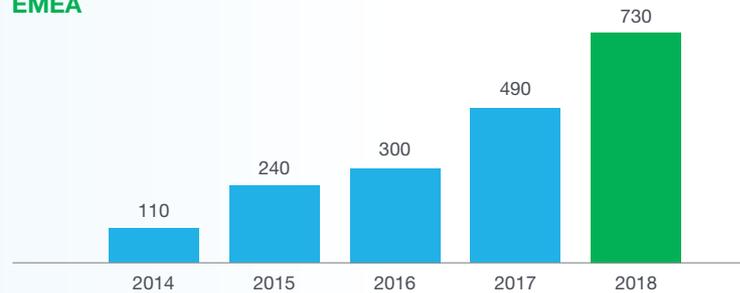
Global installed base up
+25%

North America



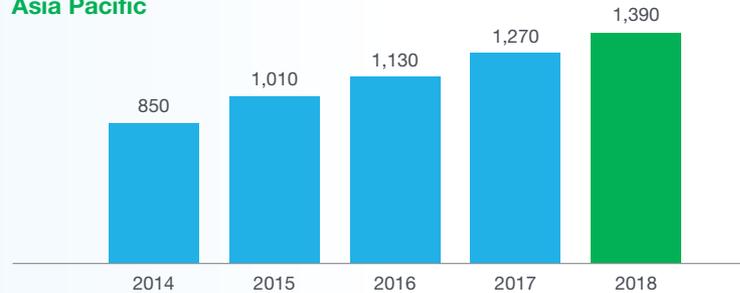
North America installed base up
+26%

EMEA



EMEA installed base up
+49%

Asia Pacific



Asia Pacific installed base up
+9.4%

FUNDAMENTALS FOR ADOPTION STRENGTHEN INTERNATIONALLY

In FY18 the fundamentals for adoption continued to strengthen internationally with an increasing number of new guidelines and studies supporting the requirement for high level disinfection of all semi-critical ultrasound probes.



European society of Radiology (ESR)

- High level disinfection required for all semi-critical procedures and automated system presented as preferred option.



British Medical Ultrasound Society (BMUS)

- HLD and use of sterile sheath required for all ultrasound probes used in semi-critical procedures and critical procedures if sterilisation not possible.



German Society of Ultrasound in Medicine (DEGUM)

- All semi-critical ultrasound probes need to undergo disinfection with disinfectants that are proven to be bactericidal (includes mycobacteria), fungicidal and virucidal.



Health Protection Scotland study (HPS)

- Six year population-level study demonstrates increased risk of infection and antibiotic prescriptions following semi-critical ultrasound procedures.



USA National Survey Publication in American Journal of Infection Control

- National survey reveals significant non-compliance with current guidelines for reprocessing of surface ultrasound probes.

FY18 Financial Results Review

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

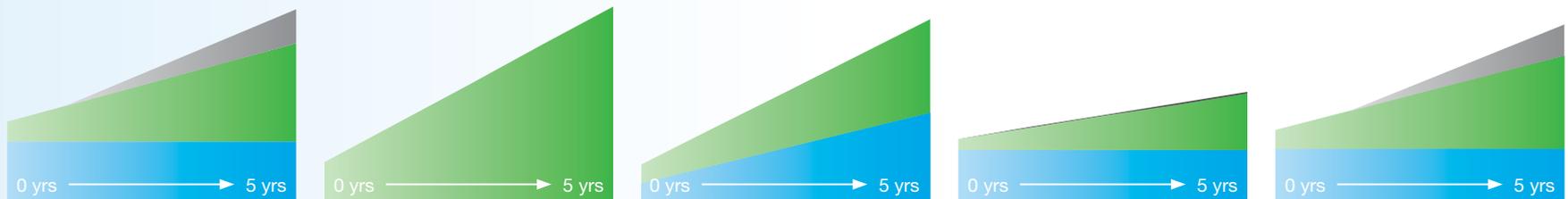
Full Service Distribution

- 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 only from Nanosonics and sells to end customer.
- Customer purchases consumables and service from Nanosonics.

NANOSONICS REVENUE PROFILE



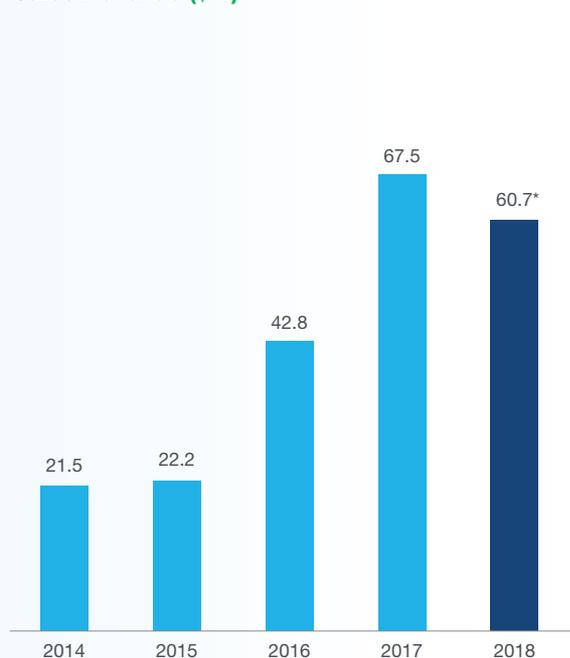
1. The information in the revenue profile charts are intended to be illustrative only demonstrating the cumulative revenue associated with a single unit over five years.



REVENUE

- Revenue of \$60.7 million reflects:
- Transitional reduction in capital revenue associated with the earlier than anticipated regulatory approval of trophon2 and subsequent run down of trophon EPR inventory by distributors.
- Some customers deferring purchase, pending launch of trophon2 in Q1 of FY19.
- A broadening number of selling models each with different revenue profiles, including Managed Equipment Service in the UK, where a growing number of trophon units were placed with no upfront capital revenue recognised.

Sales Revenue (\$M)



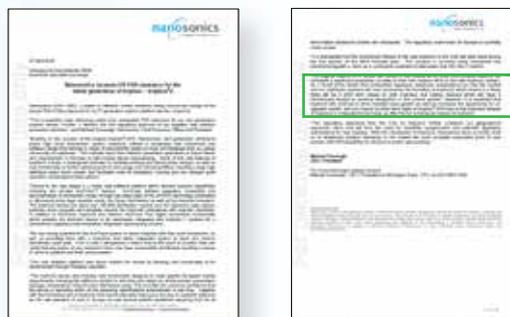
Capital Revenue



Revenue associated with consumables/service



trophon2 FDA clearance ASX announcement



“As a result of the earlier than anticipated regulatory clearance, expectations are that the market and our distributor partners will now commence the transition to trophon2 which means it is likely there will be a short term impact on both inventory and trading volumes which will have a transitional impact on revenue in the current quarter.”

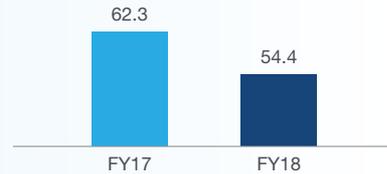
* Sales in constant currency were \$62.2 million.

REVENUE MIX BY REGION

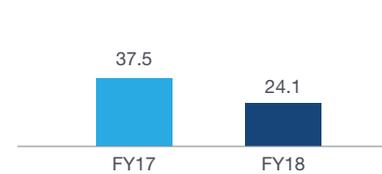
Revenue mix demonstrates strong growth in sales associated with consumables and service across all three regions with transitional reduction in capital revenue in North America associated with inventory reduction post early announcement of trophon2 regulatory approval.

North America

Total Revenue



Capital Revenue



Revenue associated with consumables/service



EMEA

Total Revenue



Capital Revenue

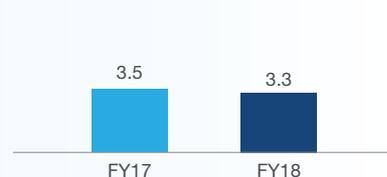


Revenue associated with consumables/service

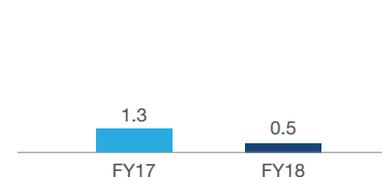


Asia Pacific

Total Revenue



Capital Revenue



Revenue associated with consumables/service

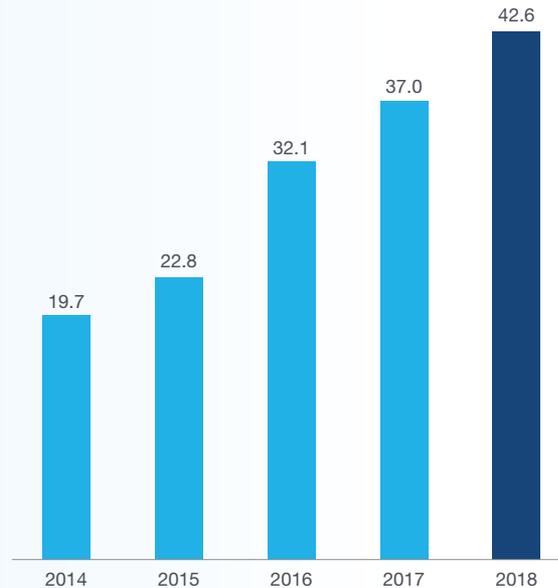


OPERATING EXPENSES

Continued investment in our growth strategy, including an increase in headcount by 36% to 225 employees, expanding our regional operations, supporting our product expansion goals and growing our corporate supporting functions.

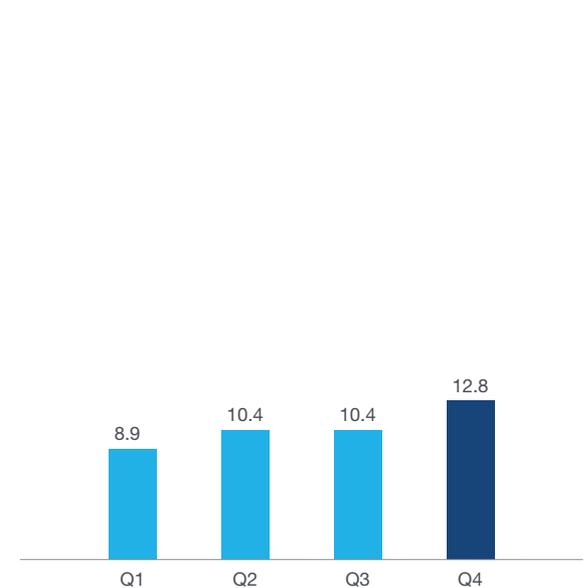


Operating Expense (\$M)



- Operating expenses up 15%.

FY18 Quarterly Operating Expense (\$M)

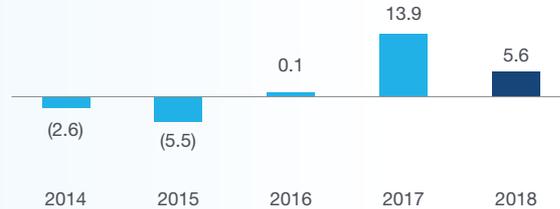


- Operating expenses of \$12.8 million in Q4 up 23% over Q2 and Q3, reflecting year end running rate.

FY19 operating expenses expected to be approximately \$53 million reflecting FY18 Q4 run rate plus further investments in our growth strategy.

PROFIT BEFORE TAX

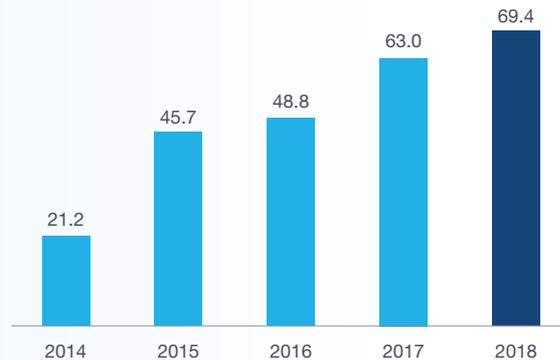
Profit Before Tax (\$M)



- Reduction in Profit Before Tax reflects growing investments in our strategic growth agenda plus transitional impact of reduction in Capital Sales associated with earlier than anticipated trophon2 approval.

CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents (\$M)



- Cash and cash equivalents up \$6.4 million to \$69.4 million supporting ongoing growth and expansion.

PROFIT AND LOSS SUMMARY

\$ million	FY18	FY17		Change
Sale of goods and services	60.7	67.5	▼	10%
Gross profit	45.3	50.2	▼	10%
%	75%	74%		
Selling, general and administration	(32.7)	(27.5)	▲	19%
Research and development	(9.9)	(9.5)	▲	4%
Other income	0.1	—		
Other (losses)/gains-net	1.6	(0.3)		
Finance income (net)	1.2	1.0	▲	20%
Profit before income tax	5.6	13.9	▼	60%
Income tax benefit	0.2	12.3		
Profit after income tax	5.8	26.2	▼	78%
Cash Balance	69.4	63.0	▲	10%

Highlights

- Sales of \$60.7 million (\$62.2 million in constant currency), down 10% (7.8% in constant currency).*
- Gross profit of \$45.3 million, or 75% of sales.
- Total operating expenses of \$42.6 million compared with \$37.0 million in prior year.
- Other net gains, comprising mainly of net foreign currency gains, were \$1.6 million compared with a net loss in 2017 of \$0.3 million.
- Income tax benefit of \$0.2 million, includes benefit associated with initial recognition of US carried forward losses and timing differences.
- Cash balance of \$69.4 million.

* Revenue of \$60.7 million reflects the transitional reduction in capital revenue associated with the earlier than anticipated regulatory approval of trophon2, subsequent run down of trophon EPR inventory by distributors and some customers deferring purchase, pending launch of trophon2 in Q1 of FY19. In addition, there were a broadening number of selling models each with different revenue profiles, including Managed Equipment Service in the UK, where a growing number of trophon units were placed with no upfront capital revenue recognised.

INCOME TAX

\$ million

Components of deferred tax asset

Tax losses	1.1
R&D tax credits	9.9
All other timing differences	3.8
Total	14.8

Value of c'fwd losses/R&D credits	Gross	Benefit	
Losses recognised	4.2	1.1	26.4%
R&D credit recognised	25.5	9.9	38.9%
	29.7	11.0	
Losses not recognised	7.8	1.6	20.7%
Total	37.5	12.6	

Key Points

- Deferred tax assets recognised following assessment of operations of the Group.
- In FY18 deferred tax asset relating to US operations recognised. As at 30 June 2018, \$2.2 million of total deferred tax asset relates to US. The balance of the deferred tax asset relates to the Australian operations.
- Deferred tax asset attributable to carried forward losses relates to the US only and is calculated at an effective tax rate of 26.4%.
- Assessment of probability of recovery (and therefore recognition of related benefit) of non-Australian / non-US losses to be reviewed on an on-going basis.

SIGNIFICANT GLOBAL MARKET OPPORTUNITY

Installed Base Opportunity

Global

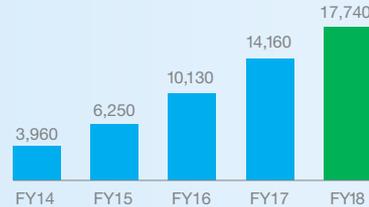
120,000

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 Opportunity

North America

40,000

Units

Market Penetration



Cumulative Installed Base



- Fundamentals for adoption strong with requirements for HLD in place
- trophon installed base over 15,620 and already in over 5,000 hospitals and clinics, including majority of luminary hospitals
- Nanosonics has a direct sales operation of 54 people as well as partnerships with all leading ultrasound companies to drive ongoing adoption

Installed Base Opportunity

Europe and Middle East

40,000

Units

Market Penetration



Cumulative Installed Base



- Recent 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 Scandinavia and Middle East
- A range of business models in place to support market requirements

Installed Base Opportunity

Asia Pacific and ROW

40,000

Units

Market Penetration



Cumulative Installed Base



- trophon® already standard of care in Australia with approximately 70% market penetration
- Regulatory approval in place in Japan and pre-marketing strategy underway
- Exploring opportunities in broader Asia Pacific market

trophon[®]2

Simply Smarter

High Level Disinfection for Ultrasound Probes



trophon[®]2

Tap into the latest innovation in ultrasound probe high level disinfection.

Smart Protection

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

Smart Flexibility

Streamlines 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**

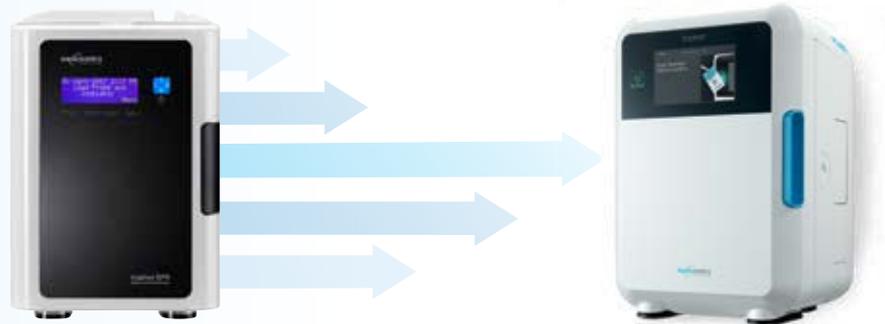
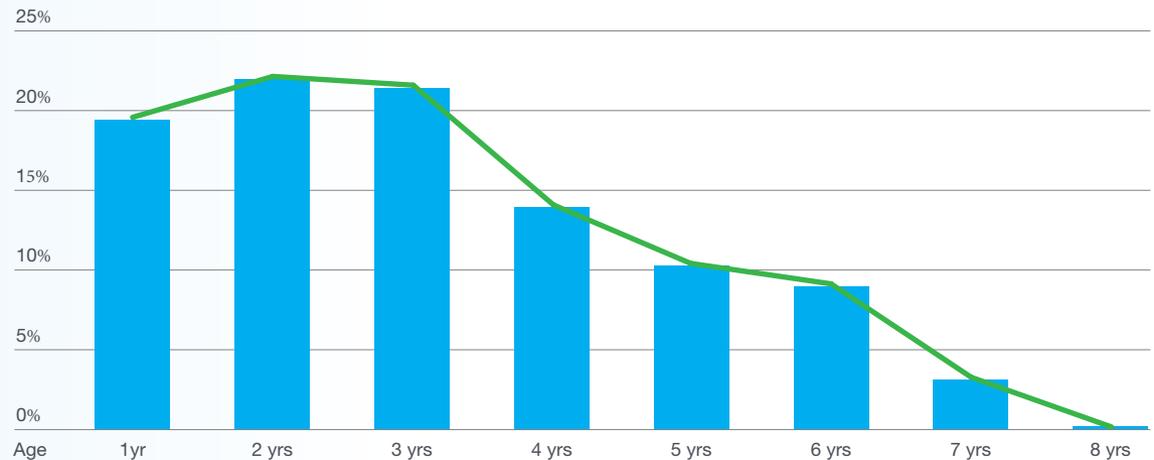


REPLACEMENT / UPGRADE OPPORTUNITY

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 2018



GROWTH STRATEGIES

Expand trophon usage in existing markets

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

Geographic expansion

Entry into new markets with trophon and new products.

Product expansion

Targeting one or more new infection prevention solutions by end of FY20 subject to regulatory approvals.



EXPANDING GLOBAL PRESENCE

North America

Nanosonics direct operation with over 54 people. GE Healthcare also a distributor and Capital Reseller agreements in place with all major ultrasound companies. trophon® becoming standard of care with >15,600 units across >5,000 hospitals and clinics in place

Ireland

Distribution partner in place with local guidelines for HLD established

UK

Nanosonics direct operation in place and growing. Guidelines now in place in England, Scotland, Wales and Northern Ireland. Strong year on year installed base growth being experienced

Saudi Arabia

Exploring distributor partnership for market entry

Qatar

Distributor Partnership in place and marketing activities underway

Japan

Regulatory approval in place with partnership established with local leading infection prevention Company. Pre marketing activities underway

South Korea

Regulatory approval in place. Exploring distributor partnership for market entry

Sweden

Partnership in place with GE Healthcare with plans for further expansion across Scandinavia

France

Nanosonics partnership with GE Healthcare with supporting local direct operations. New guidelines for HLD emerging

Singapore

Distributor Partnership in place and marketing activities underway

Kuwait

Distributor Partnership in place and marketing activities underway

Hong Kong

Distributor Partnership in place and marketing activities underway

Germany

Nanosonics direct operations in place and growing with new guidelines recently introduced. Key luminary sites now adopting

Israel

Distributor Partnership in place and marketing activities underway

Australia & New Zealand

Distributor partnerships in place. Achieved approx. 70% market penetration

NEW PRODUCT DEVELOPMENT

Significant R&D Investment being made into Product Expansion Strategy.



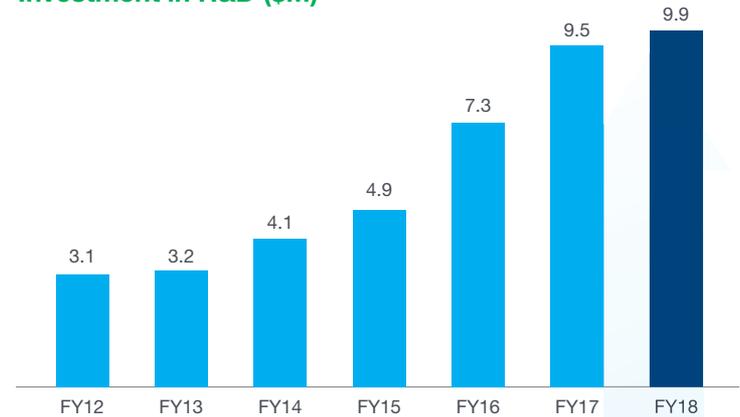
Second generation of trophon® approved by the FDA in April 2018 and now targeting one or more new infection prevention solutions by end of FY20, subject to regulatory approvals



Steven Farrugia
BE, PhD
Chief Technical Officer

Steven joined Nanosonics as Senior Vice President, Design and Development, in September 2016. He has over 20 years' experience leading the development of medical devices. Prior to Nanosonics, Steven held a range of senior executive roles with ResMed, including VP of Technology and VP of Product Development. He is an inventor of almost 300 granted and pending patents and is an Adjunct Professor of Engineering at The University of Sydney.

Investment in R&D (\$M)



Significant Research and Engineering team with over 50 people across the following disciplines:

- Mechanical Engineering
- Software Engineering
- Electrical Engineering
- System Engineering
- Chemistry
- Microbiology

BUSINESS OUTLOOK

FY19

Nanosonics expects:

- Continued growth in installed base in North America with FY19 adoption similar to FY18.
- GE North America to rebuild inventory of capital equipment following launch of trophon2.
- Upgrades/replacements of trophon EPR units more than 5 years old to commence in FY19.
- Adoption in Europe to grow driven by:
 - MES program in the UK to continue gaining momentum – expect FY19 new unit growth of 75% to 100% over FY18, of which 90% will be under MES.
 - New guidelines in Germany as well as the launch of trophon2 to trigger broader adoption.
 - New guidelines to be released in France by Ministry of Health.
- Results of clinical study in Japan to be reported in early Q2 to support development of guidelines. Pre-marketing activities to continue throughout FY19. Regulatory approval of trophon2 in Japan expected by end FY19.
- Active investment in growth with total FY19 OPEX expected to be approximately \$53 million, including approximately \$13 million in R&D, with the majority of that R&D expense directed towards with new product development

Beyond FY19

Nanosonics expects:

- Continued growth in trophon installed base in all core markets as new guidelines continue to be released and the requirements for HLD of all semi-critical probes is understood and followed.
- Material increase in consumables sales and margin in North America from July 2019 resulting from new GE agreement.
- Further expansion into new markets.
- Ongoing development of new infection prevention solutions targeting one or more new products by end of FY20, subject to regulatory approvals.

OUR PEOPLE

Nanosonics has a highly experienced and dedicated team of professionals leading the development and implementation of our Corporate Growth Strategy.

Our Board



Richard England
FCA, MAICD
Non-Executive
Director

Marie McDonald
BSc (Hons), LLB
(Hons)
Non-Executive
Director

Michael Kavanagh
BSc, MBA
(Advanced)
CEO, President
and Managing
Director

Maurie Stang
Non-Executive
Chairman

David Fisher
BRurSc (Hons),
MAppFin, PhD,
FFin, GAICD
Non-Executive
Director

Steven Sargent
BBus, FAICD
Non-Executive
Deputy
Chairman

Our Executive Team



Steven Farrugia,
BE, PhD
Chief
Technology
Officer

Gerard Putt
BSc, GAICD
Chief
Operations
Officer

Ken Shaw
BSc Finance
Regional
President for
the United
States, Canada
and Latin
America

**Michael
Kavanagh**
BSc, MBA
(Advanced)
CEO, President
and Managing
Director

**Leanne
Baxendale**
Head of
People and
Culture

McGregor Grant
BEc, CA, GAICD
Chief Financial
Officer and
Company
Secretary

Thank you

