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AtCor Medical – ASX:ACG



Business Update
May 2012

Duncan Ross – CEO
Peter Manley – CFO

Investment Summary

- ASX Code: **ACG**
- Ordinary Shares on Issue: **134.1m**
- Market Capitalisation @ \$0.065: **\$8.7m**
- Options on Issue: **17,530,000**
- Fully Diluted Market Capitalisation: **\$9.6m**
- Enterprise Value (31 March 2012): **\$7.8m**
- NTA Per Share (31 Dec 2011): **1.6c**
- 1H12 Product Revenues: **\$3.8m**
- Cash 30 March: **\$0.9m**
- Employees: **29, 14 in US including Group CEO**
- Corporate & Manufacturing Headquarters: **Sydney, Australia**
- Sales/Distribution: **global**

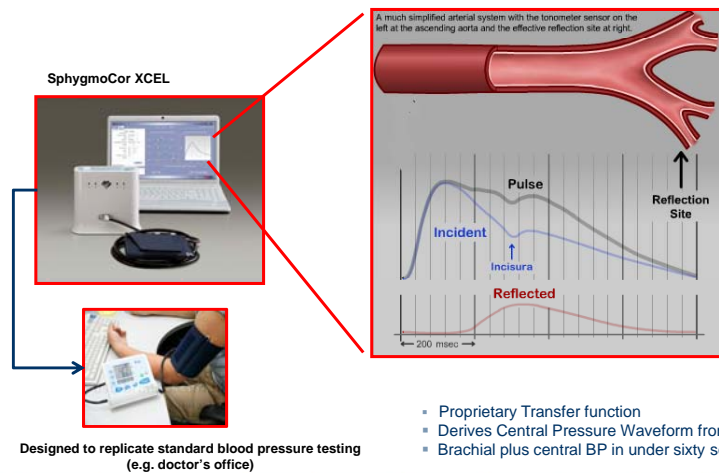


Core Technology - SphygmoCor

.....the global gold standard in non-invasive central (aortic) blood pressure testing and arterial stiffness assessment

- AtCor's platform and core product offering is called SphygmoCor, a point of care (physician office) device allowing for the early detection of cardiovascular risk and management of cardiovascular disease.
- SphygmoCor is leading the change in cardiovascular medicine through non-invasive measures of cardiac function and arterial health - traditionally only available by an invasive catheter into the heart
- Central aortic blood pressure has been found to be a superior predictor of cardiovascular events including stroke, heart attack and kidney disease and provides valuable insight into anti-hypertensive drug selection and management.
- Traditional "cuff" measures of blood pressure have limited predictive power in assessing future cardiovascular risk.
- SphygmoCor has been FDA cleared since 2002 and is CE Marked/TGA approved.
- 2,700 systems installed globally with > 600 peer reviewed publications and >1,100 citations
- Third generation product, SphygmoCor XCEL was recently launched at the European Society for Hypertension (ESH) annual conference in late April.

SphygmoCor Explained – Capturing a Waveform

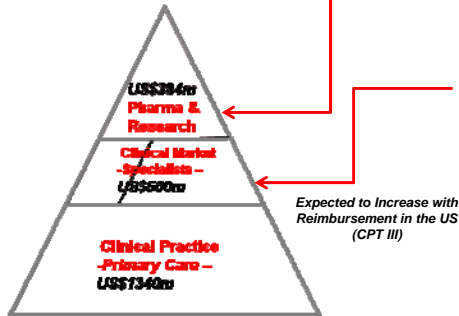


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Targeting Three Distinct Market Segments

.....**Global Market Potential US\$ 2.2 billion**

Pharma companies are seeking to understand any benefits or detriments their drug has on central cardiac function: differential label claim, meet FDA cardiac safety requirements. **>50% ACG revenues currently**



Research Market

- Pharma >US\$275m & expanding
- Academic Research, Hosp. Affiliated - US\$109m
- Global > US\$384m potential

Specialist Clinical

- Cardiologists, Hypertension, Nephrologists (kidneys), Endocrinologists (diabetes)
- Academic-based specialists
- Global US\$500m potential**

Specialist Clinical – Government

- All Cardiologists, Hypertension, Nephrologists
- Veterans hospitals and Dept of Defense

Market currently addressed: US\$568m or 26% of total available market

2012 Company Highlights

- Three national US physicians associations (National Medical Association, Association of Black Cardiologists, Association of Minority Nephrologists) Issue Policy Statement supporting adoption and reimbursement of central pressures: **Jan**



THE ASSOCIATION OF
MINORITY NEPHROLOGISTS

- Multi-year strategic alliance with SunTech Medical to develop new technologies for cardiovascular: **Jan**



- Awarded \$1.1m Commercialisation Australia Grant: **Feb**
- CPT III (Common Procedural Terminology Code) code to cover the SphygmoCor test, application by the RPA: **Mar**



- Ground breaking new SphygmoCor XCEL launched: **May**

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Fiscal 2012 Highlights YTD

- AtCor continues to aggressively manage cash flow and spend
- YTD expenses are down **10%** pcp
- YTD, **67%** decline in operating cash outflows: \$0.6m versus \$1.7m in pcp
- Cash balance 31 March – **\$0.9m**
- Business forecast to go cash flow positive in fiscal 2013
- Total Sales Pipeline robust – **\$17.2m**
- Fiscal 2012 sales forecast holding at **10-20% pcp** (constant currency)



Financial Performance – 3Q12

Cash Flow Statement (A\$'000)

	3Q12	YTD FY12
Cash flows from operating activities		
Receipts from customers	1,788	5,866
Payment to suppliers and employees	(2,338)	(6,802)
Other income (grants etc)	355	380
	(195)	(556)
Cash flows from investing activities		
Payments for P,P&E	(1)	(297)
	(1)	(297)
Net increase (decrease) in cash and equivalents	(196)	(853)
Cash and equivalents at beginning of period/year	1,112	1,714
Effect of FX rate changes	(17)	38
Cash and equivalents at end of year	899	899

Objective – cash flow positive from Fiscal 2013

- Opportunity
 - The global social and economic imperative to deal with disease prevention and early identification
- AtCor Focus
 - Global product launch
 - Clinical adoption and reimbursement–Implement CPT Code
 - Pharmaceutical expansion
 - Platform technology & partnering

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SphygmoCor XCEL Launch

Simply the gold standard

- Automated system dramatically improves ease of use for clinicians
- Eliminates barrier to clinical market uptake
- Brachial BP plus pulse wave analysis (PWA)-central BP assessment in 60 seconds
- Pulse wave velocity (PWV) in 60 seconds
- No need for patient to disrobe for PWV
- Improved utility in pharma trials
- Regulatory approval (EU, AUS, 4 Asia markets), US FDA 510(k) clearance in 2H12



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SphygmoCor XCEL Launch

Simply the gold standard

- Automated brachial and central BP assessment
- Cuff-based PWA with no loss of data quality or waveform features
- Training requirements are now the same as for cuff blood pressure assessment



SphygmoCor XCEL Launch

Simply the gold standard

- Cuff-based Pulse Wave Velocity enhances ease of use and speeds data collection
- Leg cuff can be used over clothing, expanding clinical & pharma opportunities to markets with greater cultural sensitivity



Global product launch

Strong positive reception

- **New SphygmoCor XCEL Product augments current offering – expanding breadth**
 - Current EM3 series-continues targeted to researchers, some specialist and pharma apps
 - Two follow on releases of SphygmoCor XCEL planned to expand functionality & reach
- **Key milestones in product launch – Asia and Australia**
 - 4 Asian markets ready for sale (India, Indonesia, Singapore, Malaysia) distributors trained
 - Initial orders committed for 38 systems
 - Australia direct selling from 1 May
- **Key milestones in product launch – Europe**
 - Launched at Hypertension society meeting – 26 April
 - Sales leads increased **100%** from previous years
 - CE Mark (EU Regulatory approval) received – 27 April
 - Training of distributors and initial orders underway
- **Pharma Clinical Trials Potential**
 - Global introduction in one on one meetings
 - Overwhelmingly positive response
 - Expect first contract with new system in June

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Reimbursement

Successfully Implement Category III CPT Code

Foundation to achieve Category I Code at earliest point

Timeline & Process

- **July 2012** – CPT Code announced by AMA (American Medical Assoc.) to payers
- **July/August 2012** – pre-determine initial payers to approach & educate on code description & test
- **August 2012** – AtCor & KOL's begin meeting with payers medical directors
 - Educate on code & SphygmoCor test
 - Negotiate coverage & reimbursement rates for health plan
- **Jan 2013** – CPT Code becomes effective for coding test and filing for reimbursement
 - Physician claims submitted under Category III code

Goal: Successfully sign minimum of 2 payers in FY13

Not case rulings but **regional, fully automated carrier reimbursement from top down**

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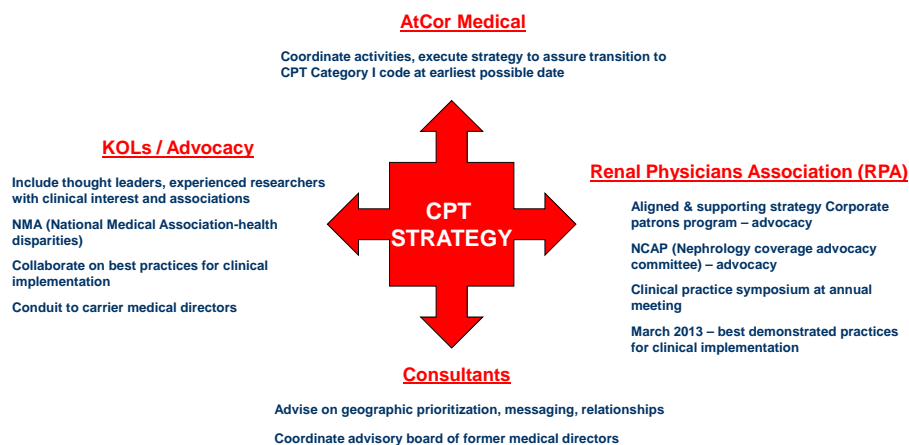
Reimbursement

Category III CPT Code Implementation

- Initially targeting Medicare carriers
 - Ideal patient population to benefit from test - complex hypertension and hypertension related disorders
 - Highest clinical & economic value
 - Private payers tend to follow Medicare coverage lead
- Which Medicare carriers?
 - 12 in US covering 47.6m lives (in 2012)
 - Estimated **65%** of these patients have hypertension and related disorders
 - Key criteria - not covered lives as driver but percentage of covered lives that can utilise technology
- Carrier selection criteria
 - Align with geographic concentration of installed SphygmoCor base
 - Strong KOL support
- Implement National Medical Association & affiliates Policy Position on Central BP
 - Access to technology for underserved at risk populations - especially African Americans
 - Payers should provide reasonable reimbursement

Reimbursement

Aligning critical resources for success



Focus

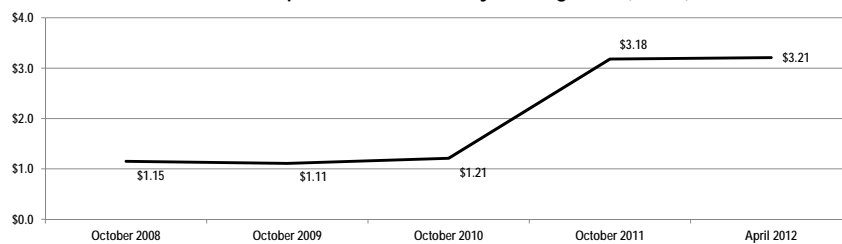
■ Pharmaceutical Clinical Trials

- Over the past 7 years, AtCor has developed best in class product and service offering, capturing both hardware and service revenue streams in this lucrative and growing segment; AtCor is well positioned as *the blood pressure core lab*
- >35 pharma trials complete or in progress as of 1 May 2012
- Total patients enrolled: **>6,000**
- Focus on data quality maximization through product and Data Management systems innovation
- Current capacity to more than double revenues in sector with minimal impact on cost base; innovations yield operational efficiencies

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Pharma Business

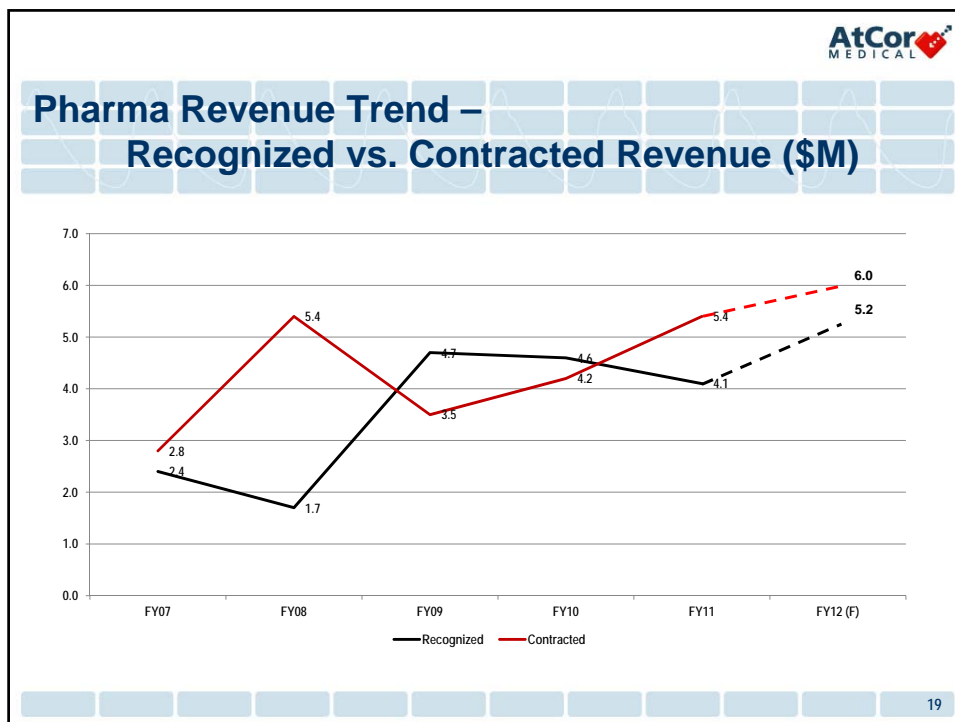
Contracted pharma revenue not yet recognised (US\$M)



■ Drivers of increased backlog:

- Pharma volume increasing (study size and duration)
- Disease states expanding (Hypertension, Kidney, Rheumatoid Arthritis, COPD, other)
- Average contract length increasing
- Lease versus sale deal structure

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- Pharmaceutical Trials Market Segment Initiatives and Focus Assure Growth**
- **Expand pharma segment selling resources**
 - Drive client penetration
 - Broaden reach (clients and drug classes)
 - **Focus on key value drivers: our people and the quality of our services**
 - The *product* being sold is clinical trial data, the output of the process, so data management quality and expertise are key differentiators
 - SphygmoCor XCEL (new product) will shift the competitive balance further as enhanced ease of use increases throughput and reduces cost
 - **Assure status as best innovator in product and service**
 - Product development/evolution (SphygmoCor XCEL and follow-on products)
 - Continued innovation in data handling and efficiency of QA
 - **Continue to assess options for expanding breadth of BP offering in trials**

Remaining FY12 Milestones

- Total Business returns to double digit growth
 - 10-20% in constant currency
 - Currently US \$17.2m opportunities under management vs. US \$16.0m May 11'
- Pharma business returns to double digit growth
 - Two more significant deals during May/June
 - Forecast to grow 27% (cc) vs. pcp
 - Currently US\$10.0m opportunities under management
 - Currently US\$3.2m unrecognized revenue in hand v pcp of US\$1.8m
- Strategic alliance for new market segment to be announced May-June

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Key Milestones Next 12 months

- Double digit constant currency growth FY12 & FY13
 - Enhanced clinician uptake driven by SphygmoCor XCEL Launch, CPT III coding
 - Additional Pharma clinical trial orders
- Business goes cash flow positive
 - Self – sustainable
- Minimum 2 Medicare Regions contracted
 - Medicare carrier-wide regional coverage
 - Fully automated reimbursement on new code at negotiated price

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Key Milestones Next 12 months

- New product launches
 - Second release of SphygmoCor XCEL
 - A new product developed with SunTech Medical
- CP meta analysis to report-target journal submission Dec-12:
 - Data from 9 major cardiovascular studies representing >9,000 patients
 - Aim to confirm superiority of central pressures
 - Supports further clinical uptake
- Complete Mayo Clinic Heart Failure Study-Dec 12 >submit for publication
 - Confirm superiority utilising central pressures in high cost disease state
 - Improved patient quality of life & clinical/economic outcomes



Technical Appendices

Clinical Importance of Aortic Central Pressures

- Blood pressure at the heart and the arm can be very different and unpredictably so
- Cardiovascular risk and important drug effects may not be detected
- Without central pressure data, diagnosis and treatment is based on incomplete information

Figure 1: Radial measurement (blood pressure at the upper arm)

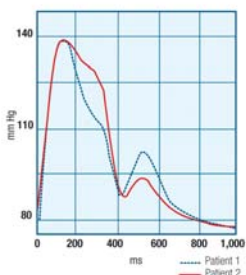
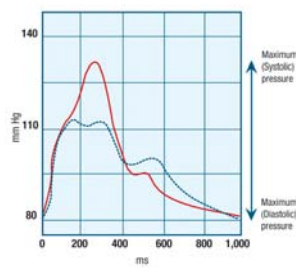


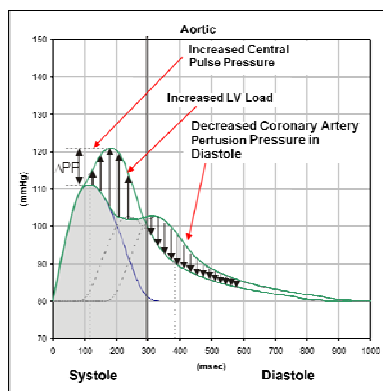
Figure 2: Aortic measurement (blood pressure at the heart, measured using SphygmoCor)



Radial measurement shows both patients have the same forearm blood pressures (140 maximum/ 80 minimum). However, the aortic pressures show different maximum pressures at the heart, and therefore quite different cardiovascular risk.

Technical Appendices

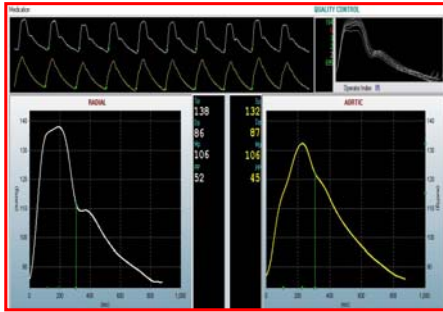
The Impact of the Early Wave Reflection



- The earlier return to the heart of the reflected pressure wave changes the central blood pressure waveform, with 3 key clinical implications
 - Central pulse pressure increases ... increasing risk of stroke and renal failure
 - LV Load increases.... increasing LV mass, and accelerating progress towards LV hypertrophy and heart failure
 - Coronary artery perfusion pressure in diastole reduces.... increasing risk of myocardial ischemia

Technical Appendices

Primary Data Capture



Unique, Actionable Patient Data

