

2019 Annual General Meeting



18 November 2019



Board of Directors



Maurie Stang
Non-Executive Chairman



Steven Sargent
Non-Executive Director, Deputy Chairman
and Lead Independent Director



Michael Kavanagh
CEO and President



David Fisher
Non-Executive Director



Marie McDonald
Non-Executive Director



Geoff Wilson
Non-Executive Director

2019 Annual General Meeting

Michael Kavanagh

CEO and President



18 November 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 the 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 upon 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 by any person (including Nanosonics). In particular, no representation, warranty or assurance (express or implied) is given in relation to any underlying assumptions 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



“ Innovation has been the cornerstone of our success to date ”

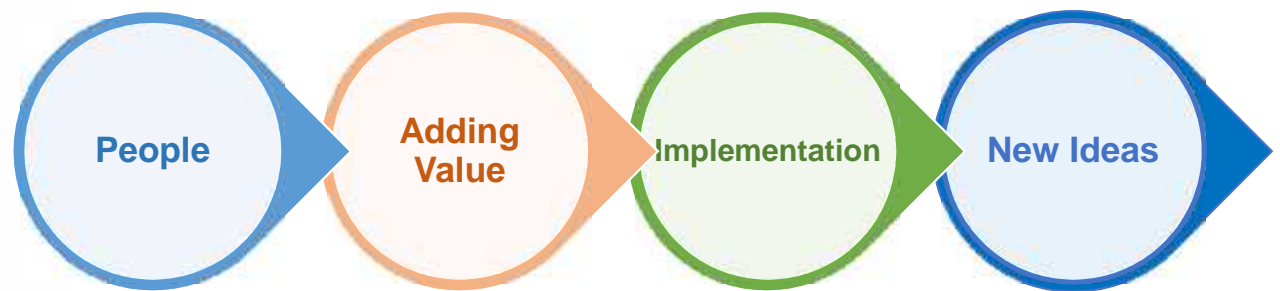
Innovation

*People adding
value through the
implementation
of new ideas*



Innovation

4 Key elements





People

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

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.



300 global team
Up 27%



We value all aspects of diversity fostering an **inclusive workplace** for all to **fulfil their potential**.

30
nationalities represented

36%
female

30%
female senior management

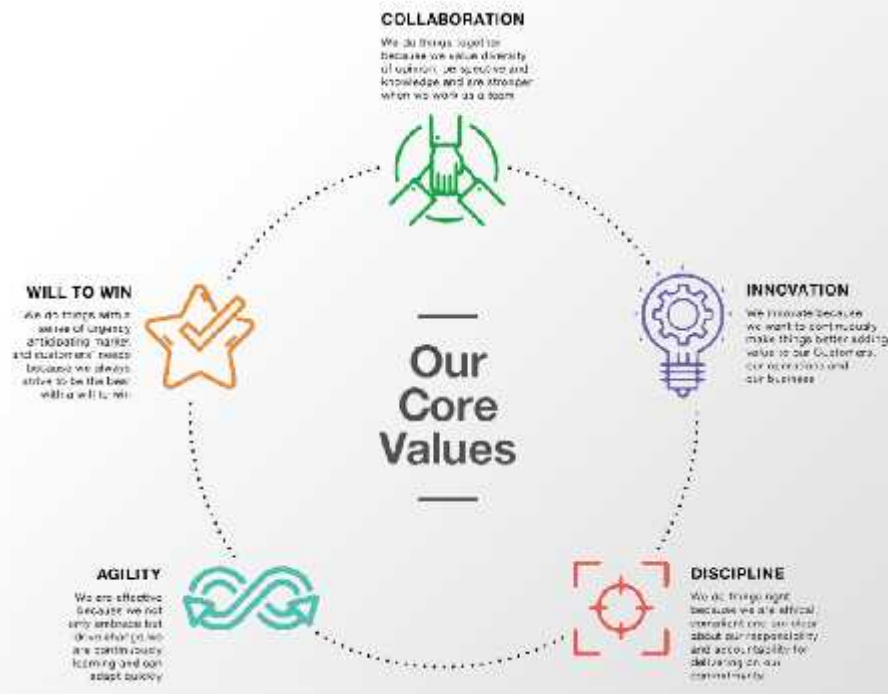
10
graduate/intern program members





Our Mission & Core Values shape **the way we work** and defines the **positive culture** of the organisation

Infection Prevention. **For Life.**

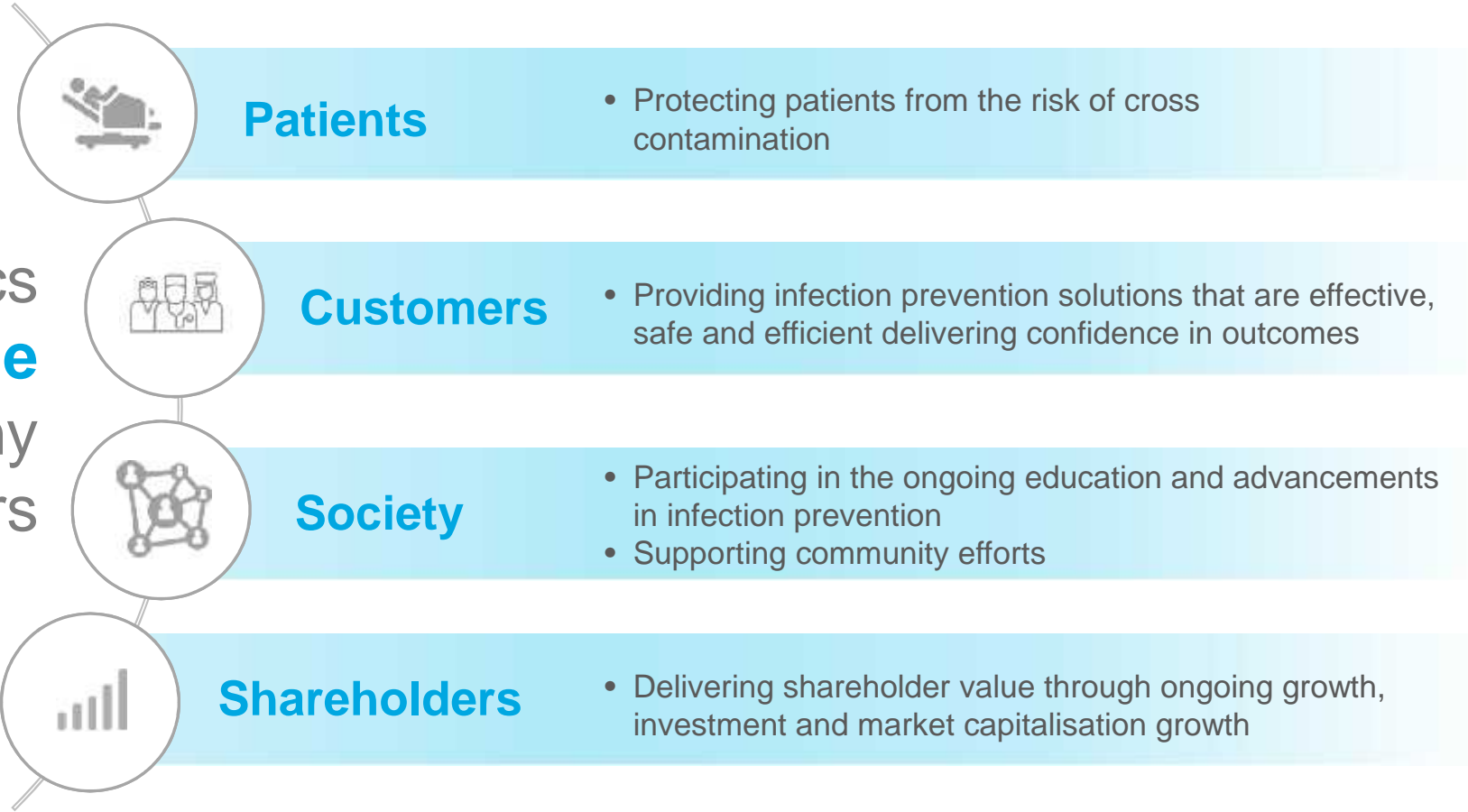


Employee
Engagement
Survey
identified **91%**
of employees
are proud to
tell people
they work for
Nanosonics





Nanosonics
delivers value
to many
stakeholders



2

Adding Value

Every day **70,000 patients** are **protected from the risk of cross contamination** because their ultrasound transducer has been decontaminated **using trophon**





trophon[®]2 delivers the world's leading automated HLD solution for ultrasound probes

- ✓ **Advanced user experience**
- ✓ **Greater workflow efficiencies**
- ✓ **Confidence through demonstrated compliance**
- ✓ **Broadest clinical micro-efficacy spectrum**

trophon[®] technology revolutionised High-Level Disinfection around the world

In 2009, Nanosonics launched the trophon EPR, setting a completely new global standard in the disinfection of ultrasound probes. trophon was a faster, simpler alternative to the existing disinfection processes, mitigating the risk of exposure to toxic chemicals. It was superior and safer for both patients and health care professionals.

Introducing trophon[®]2

The launch of trophon2 takes ultrasound reprocessing to a new level.

The trophon family now includes the trophon EPR and trophon2 devices, which share the same core technology of sonically activated hydrogen peroxide.

trophon2 offers an advanced user experience to deliver greater workflow efficiencies and demonstrated compliance.

Going beyond the global requirements for endocavitary and surface probes used in semi-critical and critical procedures, trophon2 demonstrates the broadest clinical micro-efficacy spectrum to reduce patient cross contamination risk.

With over 40 improvements, trophon2 is the world's leading automated HLD reprocessing solution.



WHAT'S NEW

Some of the key highlights

DEMONSTRATED AUDIT READY COMPLIANCE ACUTRACE[®] TECHNOLOGY CAPTURES:

- Accurate digital records to provide audit ready data
- Large memory stores up to 100,000 records
- Eyster labels includes probe, operator, tag and cycle data
- Download detailed disinfection reports to USB
- RFID enabled accessories and consumables to reduce manual error

SMART WORKFLOW EFFICIENCIES:

- Full workflow traceability
- Operator, probe, disinfection cycle details RFID captured for HLD and workflow
- Faster warmup
- Ability to power up at preset day and time
- Adjustable sleep / power-saving mode

INCREASED PROBE COMPATIBILITY:

- New chamber shape and integrated probe positioner for curved probes
- Compatibility equivalence with EPR
- One size fits all Universal Cable Clamp with increased cable diameter

ENHANCED USABILITY:

- Soft-close door automatically seals tight and locks with an easy manual unlock
- Colour touchscreen display with large easy to read instructions and supporting animations to help guide the user
- View last cycle disinfection record
- Setup 'wizard' for fast configuration



Adding Value

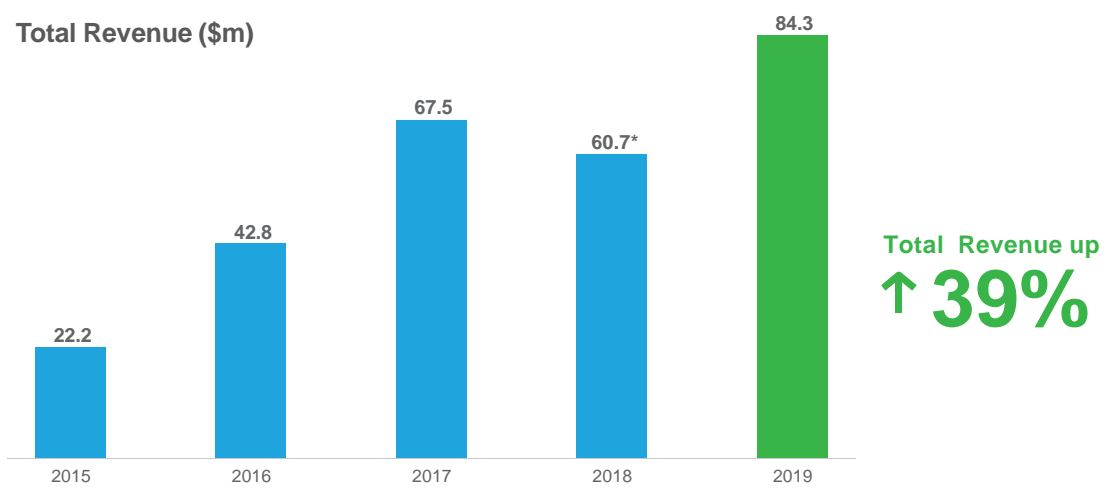
Growth in revenue supporting strong financial position for ongoing investment

FY19 Total Revenue up 39% to **\$84.3m**

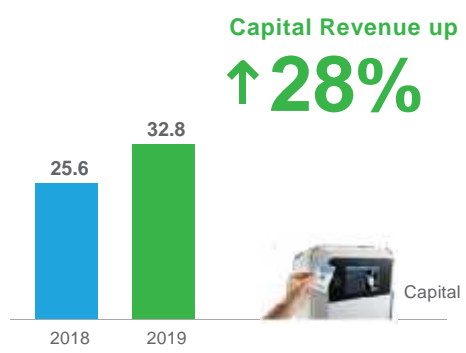
* Reduction in 2018 revenue reflects:

- 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.

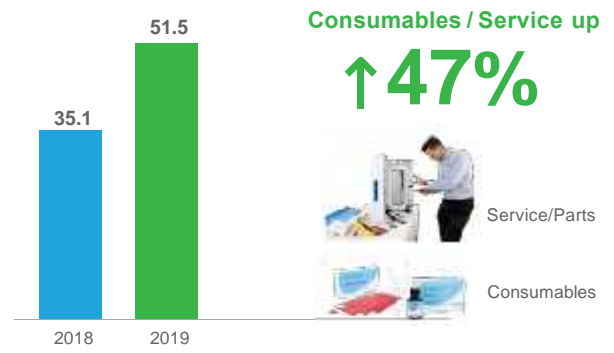
Total Revenue (\$m)



Capital Revenue (\$m)



Consumables /Service Revenue (\$m)



2

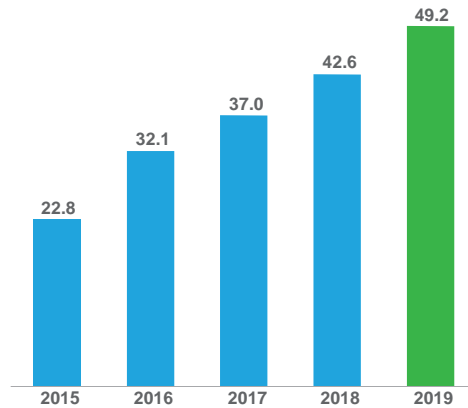
Adding
Value

Investment in our growth strategy

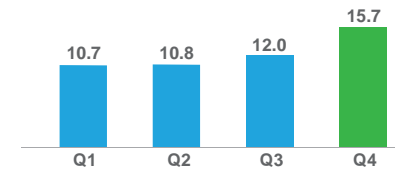
Throughout FY19 there was continued investment in our growth strategy, including an increase in headcount by 27%, expanding our regional operations, supporting our product expansion goals and growing our corporate support functions

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:

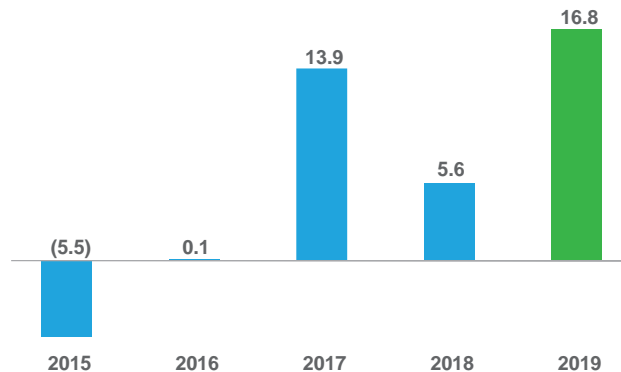
- New Product Development
- Business Development
- Regional and Corporate Infrastructure Expansion
- New Product Launch Readiness
- Sales and Marketing



Profit Before Tax
\$16.8m

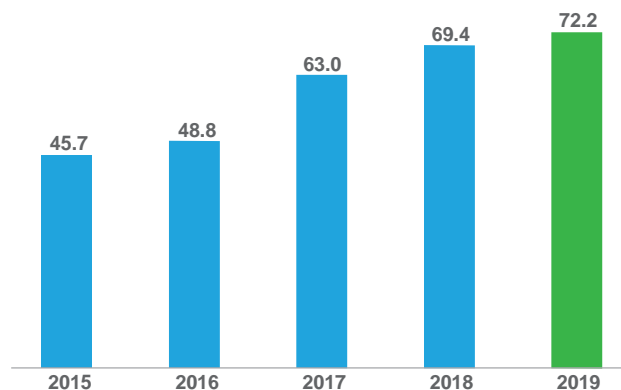
Cash And Cash Equivalents
\$72.2m
as at 30 June 2019.

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

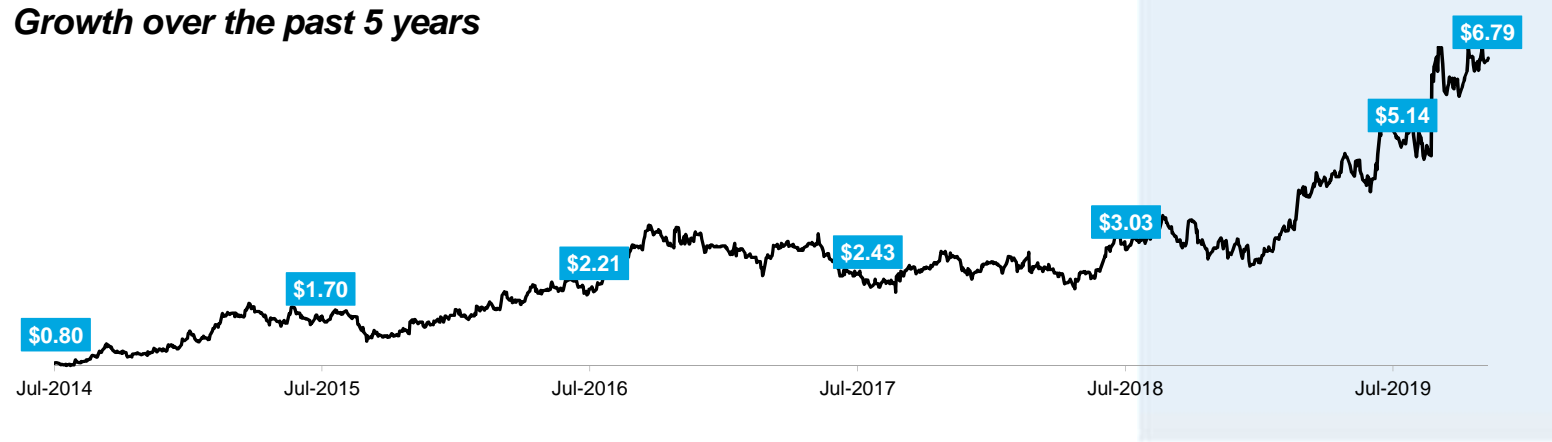
• Capital management is regularly reviewed. Considering the significant global healthcare challenges associated with infection prevention and the resulting opportunities for the development and introduction of innovative solutions, investment in the long term strategic growth agenda of the Company is 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.

2
Adding Value

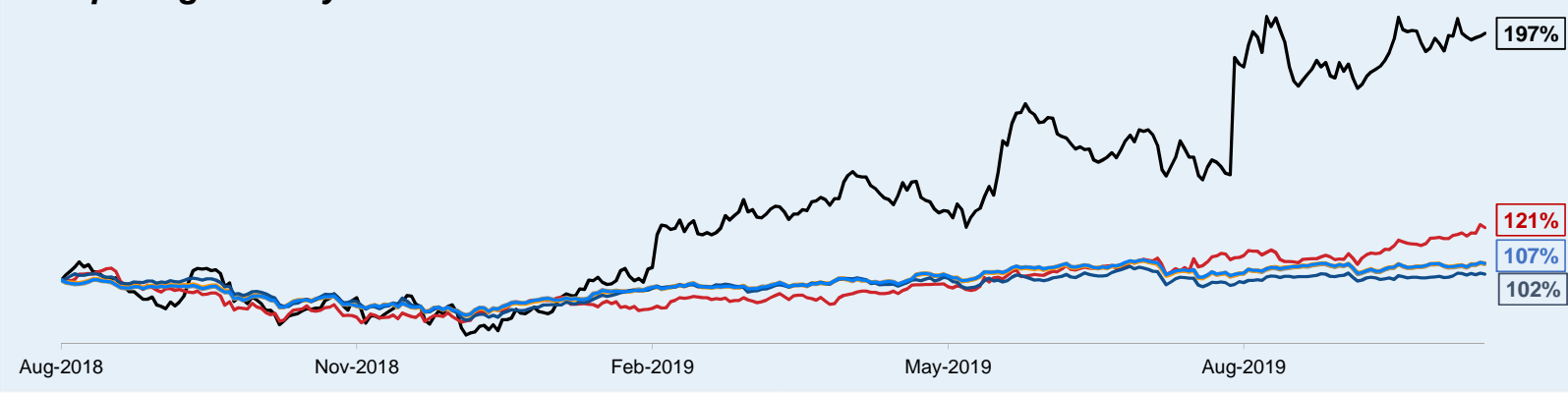
Significant **market capitalisation growth** and performance compared to relevant indices

- Nanosonics Limited
- S&P/ASX 200 Index
- S&P/ASX 200 HealthCare Index
- ALL Ordinaries Index
- S&P/ASX Small Ordinaries Index
- S&P/ASX 300 Index

Growth over the past 5 years



Outpacing industry indices over the last 12 months



2

Adding Value

Committed to protecting the environment

Hydrogen peroxide used in trophon is converted to water and oxygen by-products **eliminating the need for disposal of toxic chemistry waste**

Head office supply of electricity and water through **renewable resources**

Nanosonics Green Team driving internal **green initiatives**



For personal use only

3

Implementation

Installed Base Growth

Global installed base grew 18% to

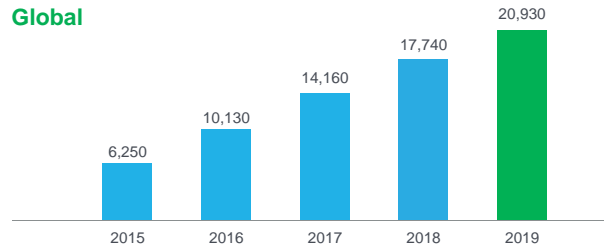
20,930
units

Every day approximately

~70k

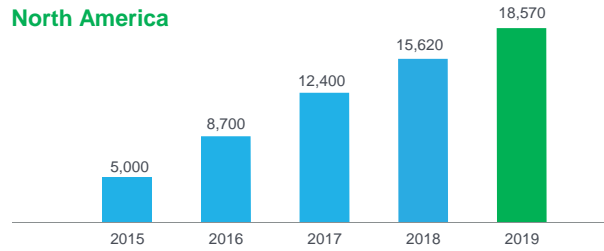
patients are protected from the risk of cross contamination because their probe has been decontaminated using trophon

Global



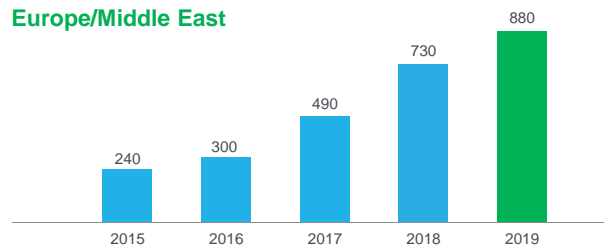
Global installed base up
↑ **18%**

North America



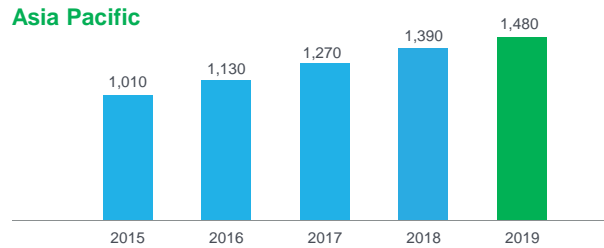
North America installed base up
↑ **19%**

Europe/Middle East



Europe/Middle East installed base up
↑ **21%**

Asia Pacific



Asia Pacific installed base up
↑ **6%**

Graphs are not to scale and therefore not comparable.



Implementation

Significant Global Market Opportunity

- Current IB
- Remaining opportunity

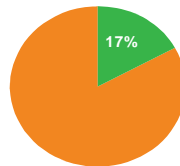
Graphs are not to scale and therefore not comparable

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.

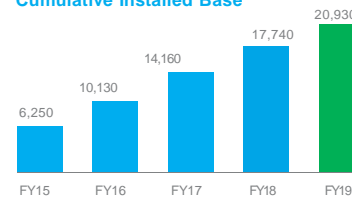
Installed Base Opportunity ¹

Global
120,000
Units

Market Penetration



Cumulative Installed Base

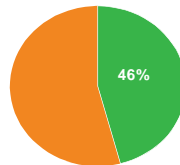


- Increasing number of international guidelines requiring high level disinfection (HLD) supporting growing international demand.
- Nanosonics expanding its footprint geographically both direct and through distribution.

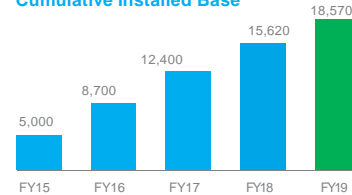
Installed Base Opportunity ¹

North America
40,000
Units

Market Penetration



Cumulative Installed Base

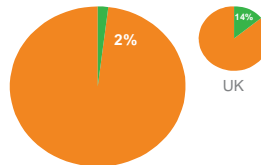


- Fundamentals for adoption strong with requirements for HLD in place.
- trophon® installed base of 18,570 and already in over 5,000 hospitals and clinics including majority of luminary hospitals.
- Nanosonics has a direct sales operation as well as partnerships with all leading ultrasound companies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

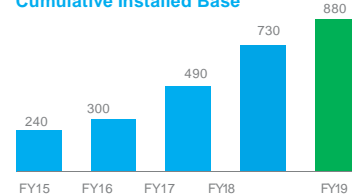
Installed Base Opportunity ¹

Europe and Middle East
40,000
Units

Market Penetration



Cumulative Installed Base

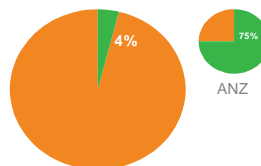


- European guidelines in UK, Germany and France requiring HLD of ultrasound probes.
- Nanosonics operations established in UK, Germany and France and expanding through distribution in Nordics, Iberia and Middle East.
- A range of business models in place to support market requirements.

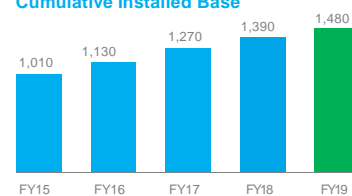
Installed Base Opportunity ¹

Asia Pacific
40,000
Units

Market Penetration



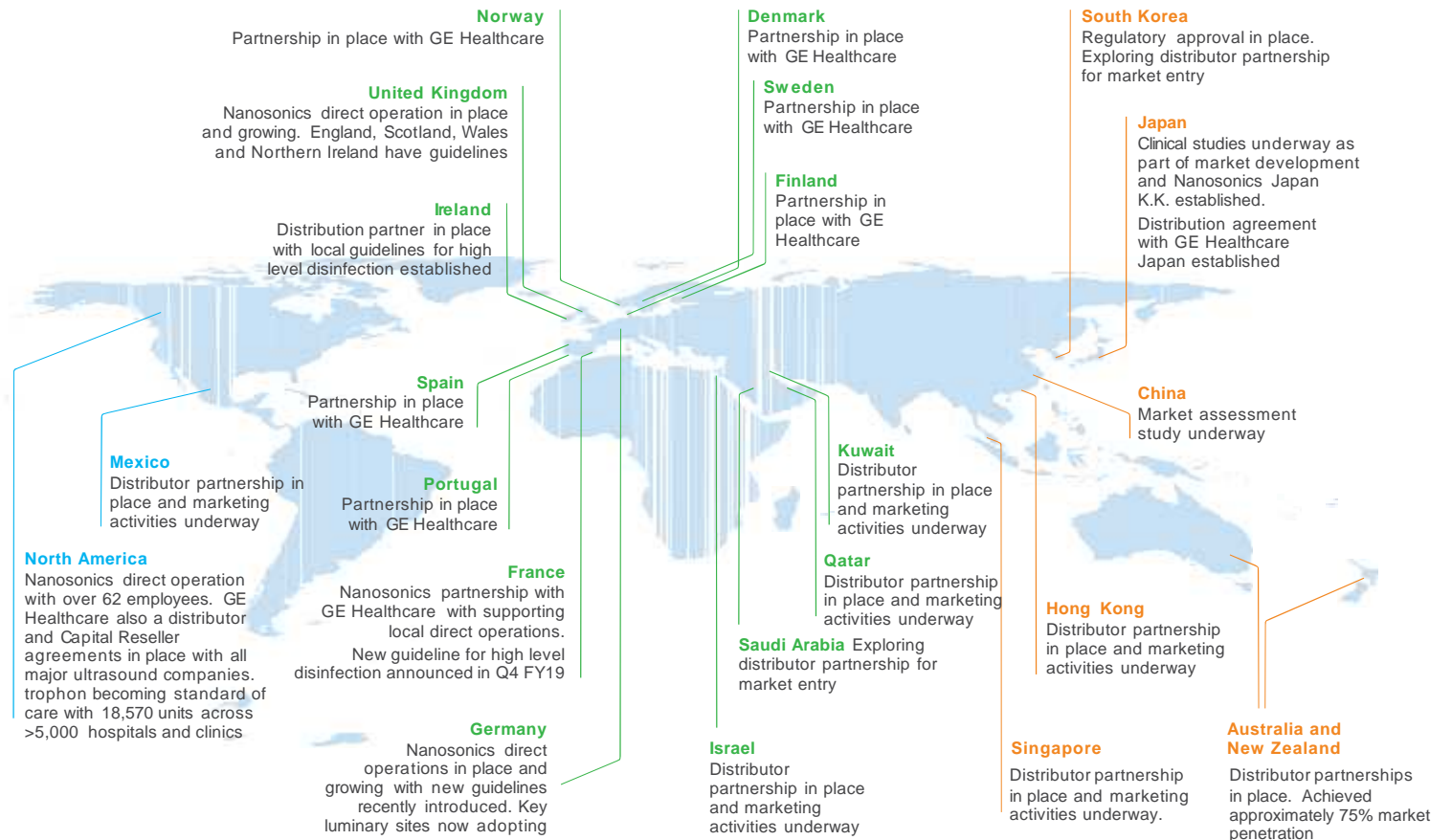
Cumulative Installed Base



- 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.

Expanding global presence

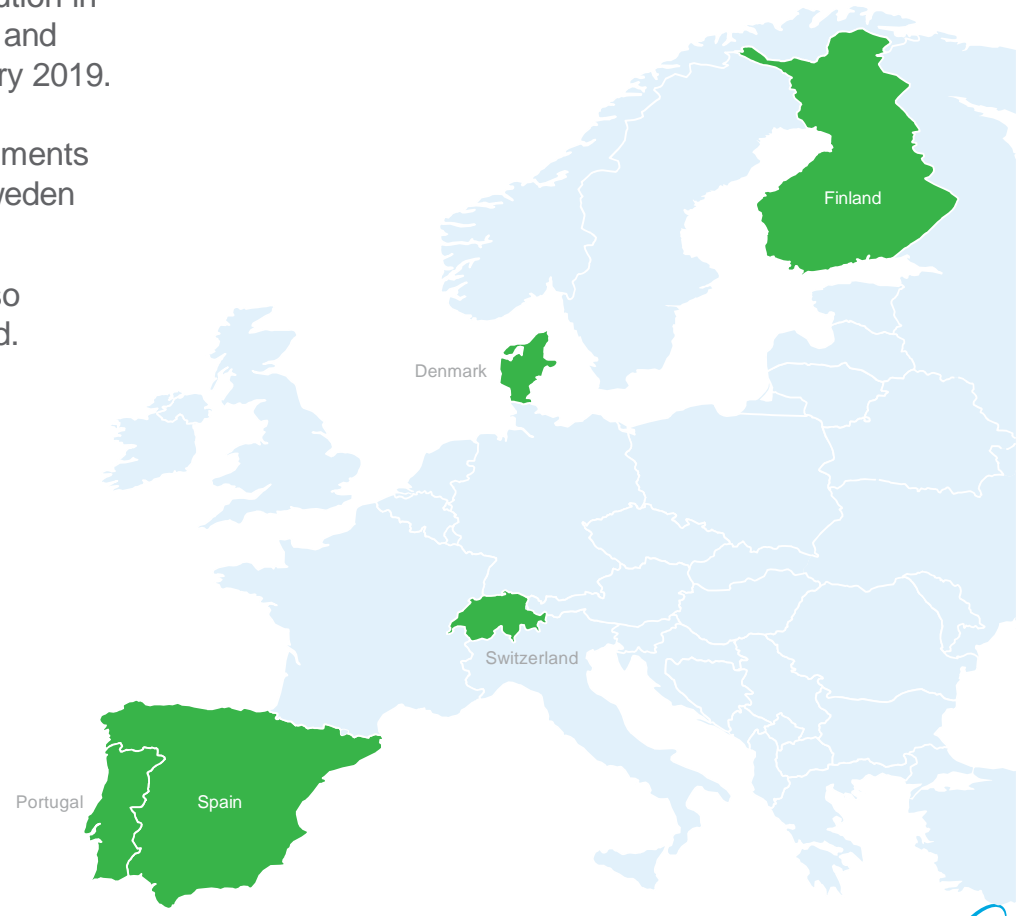
Geographical expansion is key to the Company's strategic growth agenda. Nanosonics distributes its products in 21 countries, either through direct operations or via distributor partners



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).



Implementation

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 a number of distribution partners including 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 a number of distribution partners including GE Healthcare Japan. Additional distribution agreements currently in discussion.



Market Expansion Asia Pacific

Market assessment activities underway across a number of Asia Pacific markets

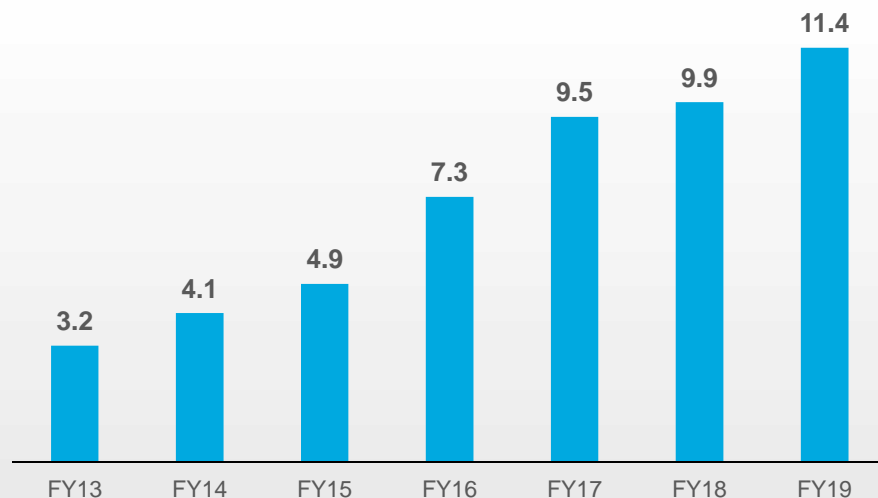


- Regional President for Asia Pacific appointed to lead expansion strategy.
- Market assessment commenced in China with visits to large hospitals, the Chinese Centre for Disease control and regulatory authorities.
- Preliminary assessment indicates significant opportunity for trophon may exist in China.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

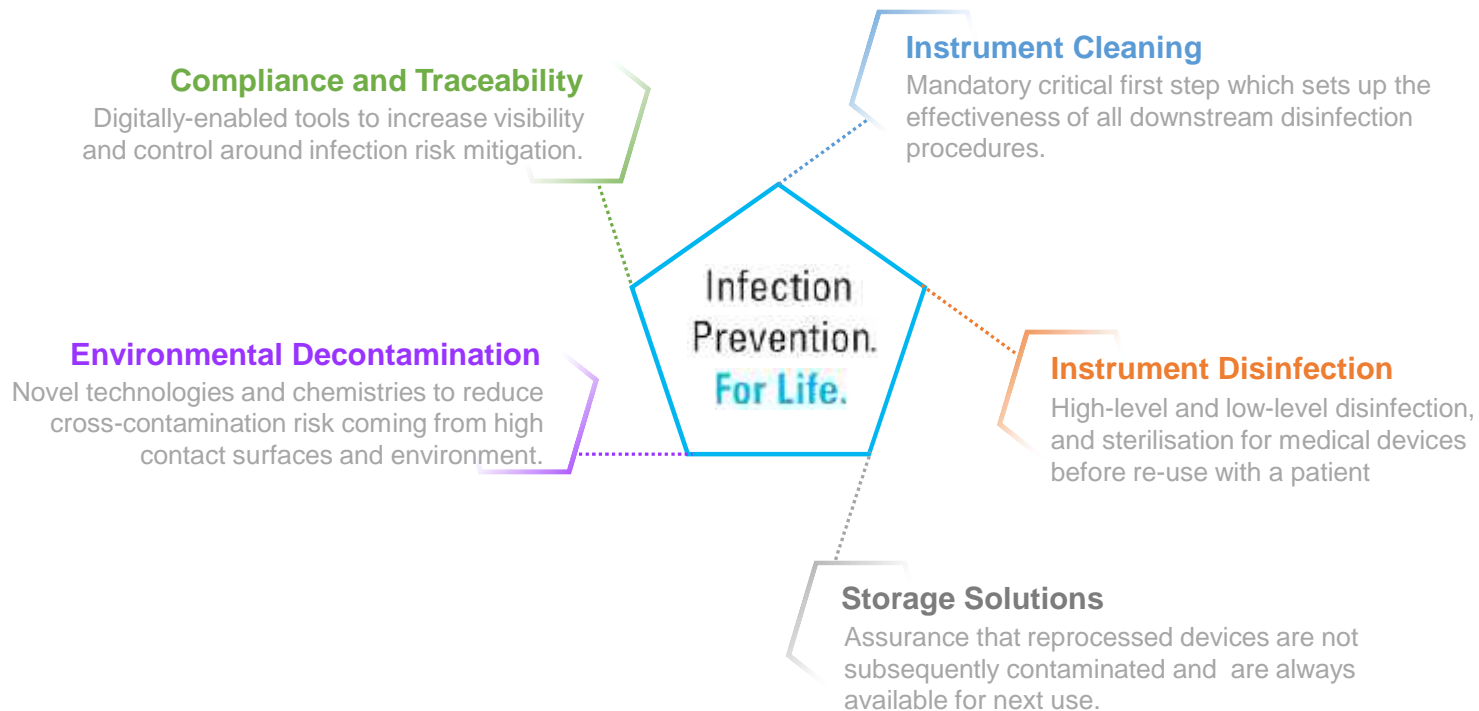


Significant investments are being made in **Research & Development** with investment **increasing by 32% to \$15 million in FY20**

Investment in R&D (\$m)

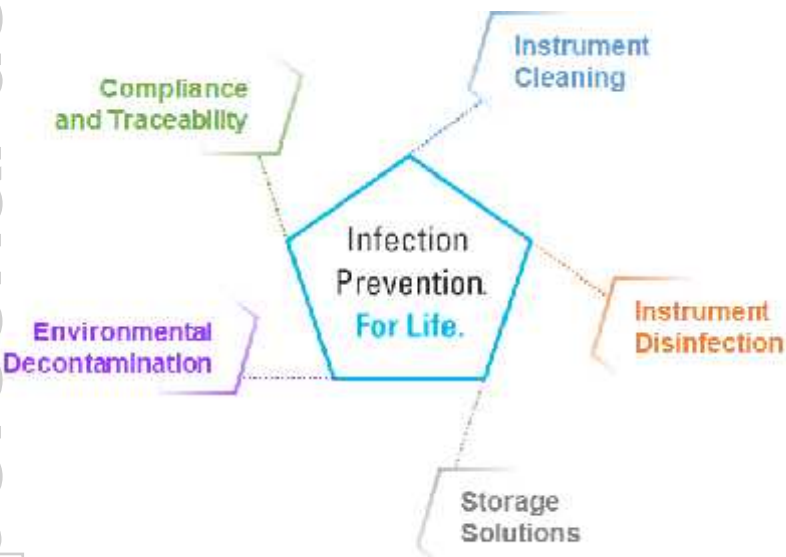


Our core areas of interest in the infection prevention landscape include ...



We have active programs at various stages of investigation, development or commercialisation across a range of these areas.

4
New Ideas



Continue to target first significant new product for international launch throughout FY21

- Targeting the commercial introduction to commence in FY21 and launch in a number of international markets throughout the first half of FY21 (subject to individual market regulatory approvals)
- Next significant new product ...
 - A novel technology that addresses a major unmet need
 - Introduces a new technology platform (non trophon related)
 - Involves both Capital and Consumables
 - Large addressable market

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

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 & 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

Business Outlook

Nanosonics targeting:

FY20

- ❑ 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
 - ❑ Ongoing investment in Nanosonics' European infrastructure under leadership of new Regional President
- ❑ Ongoing investment in Asia Pacific growth strategy under leadership of new Regional President with continued focus on strengthening the fundamentals for adoption in Japan as well as market opportunity assessments across the region
- ❑ Accelerated investment in growth with total FY20 operating expenses expected to be approximately \$67 million including approximately \$15 million in R&D
- ❑ Commercial introduction of significant new product to commence in FY21 and launch in a number of international markets throughout the first half of FY21 (subject to individual market regulatory approvals)
- ❑ FY20 profit to be 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 benefit of which comes into effect in H2 FY20

Beyond FY20

- ❑ 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 trophon 2
- ❑ 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

Thank You