

26 February 2020

ASX Announcement

Azure report increased Revenue, Margins and Profit

- **Sales revenue increase by 12% to \$16.8 million**
- **Gross Margins increase from 44.5% to 51.5% as the business successfully deals with tariff challenges**
- **NPAT for the half of \$0.809 million compared to a loss of \$0.465 million in prior comparative period**
- **NPBT of \$0.948 million at the higher end of \$0.8 to \$1.0 million NPBT guidance**
- **Cash on hand as at 31 December 2019 was \$6.061 million**

Our Financial Results

Azure recorded a revenue increase of more than 12 per cent for the half, to a total of \$16.78 million. This strong result was due to increases in software and software maintenance agreements (SMAs) which saw a jump to 14 per cent of total revenue, up from 11 per cent in the prior comparative period.

Results from Australia were impacted by the Royal Commission into Aged Care in Australia which has resulted in the deferral of investment decisions by Aged Care operators pending the Royal Commission outcomes. The Company has taken steps to improve performance in 2HFY20, including the appointment of a new General Manager for Australia and appointed a new Reseller, as the first step to focus more on the Corporate and Acute Hospital segments within Australia.

Meanwhile, Azure's performance in the USA drove growth across the Group, which is encouraging, given the US market is a much larger opportunity for the Company. Key staff hires in strategic markets are expected to deliver impactful change in regions where identified opportunities exist.

Gross profit margins during the period increased to 51.5 per cent, compared to 44.5 per cent for the same period last year, representing a strong 16 per cent improvement. This was driven by strategies the Company devised and employed to overcome supply chain procurement challenges, mostly due to uncertainties over US-China trade agreements.

For the six-month period, Azure achieved net profit after tax (NPAT) of \$809,000, compared to a loss of \$465,000 recorded in the previous corresponding period. The result represents a strong move into positive territory and the momentum that we expect to continue over the coming months. Net profit before tax was \$948,000 which was at the higher end of our \$800,000 to \$1.0 million NPBT guidance.

We finished the period with cash of more than \$6 million, well above the \$2 million at the end of the June 2019 period. This gives us a strong foundation to continue our growth strategies through the rest of FY2020 and beyond.

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Our Operations

Our operational highlights for the period were led by the announcement in February 2020 that our US subsidiary Austco Marketing and Services (USA) Ltd had signed a further three-year deal to provide our market-leading IP nurse call system and Tacera Pulse software to one of the largest healthcare service providers in the US. This new agreement builds on the Company's previous five-year agreement which generated A\$35 million in revenue to Azure since FY2015.

Through this agreement, Azure will continue to provide its Tacera IP nurse call system to a healthcare group with 130 facilities across more than 30 US states. Such a continuing relationship is testament to Azure's position as a global leader in the field of healthcare communication systems and workflow solutions and gives the company leverage and confidence in our sales and marketing efforts to expand our market share.

COVID - 19

The highly publicised COVID - 19 virus is a dynamic risk that many businesses are managing. In discussions with our Chinese suppliers, we will have some interruption in our supply chain, which we are seeking to mitigate. However, based on our current understanding and advice, we would expect these delays not to have a material impact on 2HFY20. This may change as the COVID - 19 risk is either resolved or escalates.

New Products

Azure Healthcare continues to develop innovative products for the aged-care and hospital markets. The Company will launch its newest call point with built-in RTLS at the HIMSS exhibition in Orlando Florida from 10-12 March 2020 and at Health Week in Sydney on 23 March 2020.

With built-in RTLS and Bluetooth enabled tags, location data, including room visits, response times, and time spent at the patient bedside, is stored in centralized servers for robust enterprise reporting. Using this information, healthcare organisations can generate audit reports to better monitor how care is delivered and identify opportunities to improve.

Using RTLS, many processes are automated with auto-presence and auto-cancellation of alarms. Caregivers no longer need to activate a physical presence button to register their location and cancel active calls.

The company has also updated its popular Pulse Mobile product with enhanced workflow functionality. Pulse Mobile is a smartphone application designed for iOS and Android devices that allows healthcare personnel to receive nurse call and 3rd party alarms directly on their personal devices

Pulse Mobile creates an optimized user experience with its intuitive user interface and simplifies the day-to-day activities of healthcare personnel by increasing their mobility and improving communication. Notifications are routed to assigned caregiver's smartphones,

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allowing them to determine which alarms require immediate attention at a quick glance. Pulse Mobile enhances staff efficiency and caregiver response times, which will help improve patient/resident outcomes.

Corporate

Azure completed a \$2 million Share Placement and \$1.5 million Rights Offer during the reporting period. The Company will use these funds to increase strategic marketing and sales efforts in international markets, as well as grow brand awareness. We have already used \$0.5 million to purchase raw materials that can provide more efficiency in our manufacturing processes which we expect will further support our ability to generate stronger revenue and profits.

Chief Executive Officer, Clayton Astles, said, "This completed half year has seen substantial positive outcomes for the Company that further boost our ability to provide value for our Shareholders. We continue to develop and release innovative products to a growing global healthcare industry, and I am pleased to report that the Company's growth strategy continues through the rest of the year."

"Our strategy is to grow Azure's business by continuing to develop products and systems that the global healthcare industry needs to take better care of patients and provide better outcomes. Azure has a deep understanding of the unique requirements of health care communications systems and via our talented R&D team, Azure is able to directly customise and develop products to customer requirements at the highest standard. It is a growing global market and we are at the forefront, providing solutions," he said.

This announcement was approved for release by the Board of Azure.

Further Information

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About Azure Healthcare Limited (ASX Code – AZV)

Azure Healthcare Limited is an international provider of healthcare communication and clinical workflow management solutions. Headquartered in Australia, the company has subsidiaries in six countries and supports healthcare facilities through its global reseller network which includes growing markets in health, aged care and acute care. Azure Healthcare services markets including Australia, New Zealand, Canada, UK, USA, Asia and the Middle East. For further information please refer to the Company's website www.azurehealthcare.com.au

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