1/31 Sabre Drive
Port Melbourne VIC 3205
ABN 67 108 208 760
t +61 (03) 9209 9688

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ASX Release

Azure Healthcare Resilient Second Half Drives Profitable Year

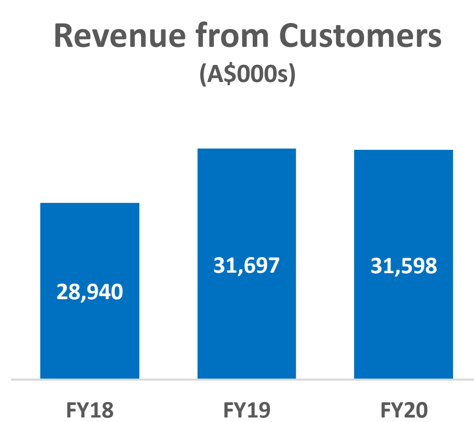
- **Total Revenue up 3.9% on FY19 to $33.0 million in FY20**
- **Strategic Software and SMA revenues up 40% on FY19 to $4.9 million in FY20**
- **Grant income from government stimulus packages of $1.4 million in FY20**
- **Reported EBIT up $2.6 million on FY19 to $2.7 million for FY20**
- **Reported NPAT up 293% on FY19 at $2.5 million in FY20**
- **R&D cash expenditure increased to $3.7 million in FY20 compared to $3.58 million in FY19**

Azure Healthcare Limited **(ASX:AZV)** announces a 3.9% increase in total revenue (excluding interest income) over FY19 to $33.0 million. This includes $1.4 million of grant income received from COVID-19 stimulus packages initiated by various governments.

Resilient revenue from customers

The year was one of two distinct halves. The first half saw revenue increase by 12% on the prior comparative period to $16.8 million as the Company successfully dealt with the challenges arising from the Trump administration's introduction of tariffs on Chinese goods imported to the US, where our manufacturing facility is located.

However, the second half was impacted by the COVID–19 pandemic which initially disrupted our supply chain, and then as the virus spread, we observed increased regional isolation protocols. Non-essential personnel at healthcare facilities and hospitals were restricted, therefore inhibiting our ability to get system and product installers into operating and new customer sites. The second half sales performance was $14.8 million, an 11.7% decrease on first half sales revenue.



The COVID-19 restrictions to site access caused installation revenues to decline 31% in the second half compared to the first half. Equally, revenue from hardware was down 11%. On a positive note, revenues from Software and SMA's increased by 14% half-on-half.

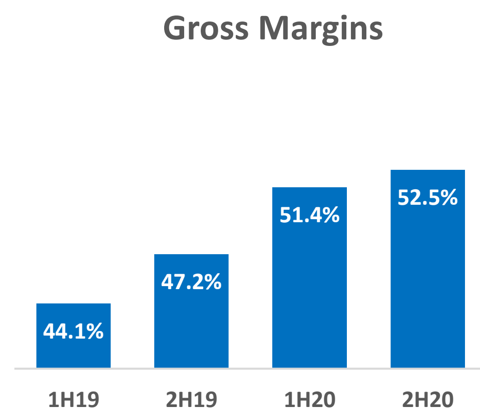
Total FY20 revenues from customers ended at $31.6 million, 0.3% down on FY19 at $31.7 million.

Continuous improvement in Gross Margins

Pleasingly, the efforts to improve production and suppliers' costs, instigated in 2019, has begun to deliver the intended benefits, with gross margin improvement from 45.7% in FY19 to 51.4% in the first half of FY20 and then to 52.7% in the second half of FY20 to end the full year at 52.0%.

The improved gross margins on consistent revenue allowed the company to increase gross margin dollars from $14.5 million in FY19 to $16.4 million in FY20.

Margins increased as the Company worked through the issues arising from the Trump administration's impost of tariffs on a portion of our supply chain, our successful access to the resulting drawback program and most importantly by the continued increase of high margin software and SMA revenues.

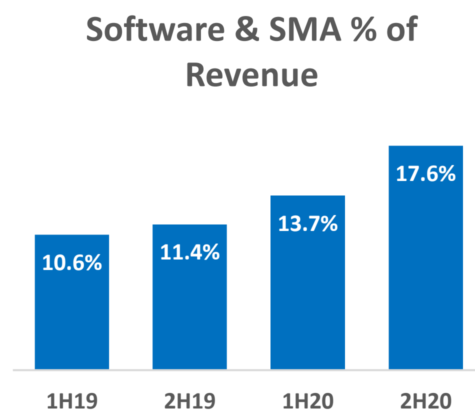


Increasing Software and SMA revenues

High margin software and SMA revenues form a key part of our strategic growth over the next few years as we transition from a hardware to a hardware and software business.

Software and SMA revenues increased by 40% in FY20 to $4.9 million. Software and SMA revenues increased from 11.0% of revenues from customers in FY19 to 15.5% of revenue from customers in FY20.

The table across highlights that our year-on-year growth has been driven by consistent growth half-on-half. Further investment into our R&D roadmap will see this revenue stream continue to grow as a proportion of total revenues, and the corresponding impact this has on gross margins will give rise to a more profitable company.



COVID-19 impact to business

The well documented pandemic continues to impact the business in all regions. These impacts were recognised quickly by the Company and while efforts were made to cut costs and conserve cash, action was also taken to divert product to regions with fewer restrictions limiting access to hospitals and healthcare facilities.

Whilst COVID-19 has introduced new challenges for the business, it has also presented the opportunity to re-enforce the infection control features of our products, which include antibacterial silicon buttons, dip-sterilizable features and spray-and-wipe maintenance and cleaning.

During the year the Company recognised $1.4 million of grant Income arising from government stimulus packages from five of the six regions in which it operates. All of this grant Income has been received by the Company at 30 June 2020. The Company will continue to benefit from stimulus packages in 1HFY21, but based on the current programs in place, it is likely to be materially less than FY20. However, as the impacts of COVID-19 remain and as second waves threaten certain countries it is possible that the current stimulus packages will be extended, as occurred in Singapore on 17 August 2020.

These second waves also place uncertainty on revenue for Q1FY21 largely related to site access restrictions, the extent and duration of which is difficult to forecast. However, we remain confident that impacts to revenue will be timing in nature, evidenced by the growth in our order book to historically high levels. Moreover, the Company believes the long-term investment into the global nurse call and workflow solutions market will accelerate further as governments and health care operators across the globe appreciate their relative underinvestment in infrastructure required to manage the COVID-19 threat, and future pandemics to come.

The health and safety of our employees and their families is our highest priority. To this end, we have implemented numerous precautions and protective measures including restricting travel and face-to-face meetings, implementing a global work from home policy and modifying workspaces to adhere to social distancing guidelines.

Stronger EBIT and Profit

EBIT was up 2,260% on FY19 at $2.7 million in FY20. This includes the benefit of the $1.4 million of grant income. Without the grant income, adjusted EBIT at $1.3 million for FY20 was still materially up on FY19, which recorded EBIT of $0.1 million.

Statutory net profit after tax was $2.5 million, normalised to $1.1 million if we were to exclude the benefit of grant income for FY20. This compares to a statutory net profit after tax of $0.6 million for FY19, which after removing the normalisations from the prior year was an underlying net profit of $0.8 million.

Improved Cash and Cash flow

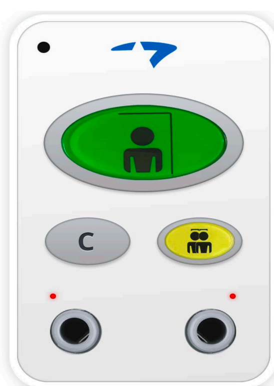
Cash on hand was $6.4 million as at 30 June 2020, up $4.5 million from June 2019. The significant improvement in the cash position was driven by the capital raising of $3.5 million undertaken during the year, in addition to $3.3 million of cash being generated from operating activities during the year. The successful adoption of drop shipment direct to customers' sites has driven a reduction in inventory holdings of $1.7 million, down to $5.2 million, which has released this cash for other initiatives.

The Company also repaid all debt facilities during the year.

Research & Development

Continued investment in research and development remains core to the future prospects of the Company. During FY20, the Company expended a further $3.7 million in research and development on its core Tacera flagship product as well as its Pulse Mobile and Enterprise Reporting software-based solutions. We believe this allows us to retain Tacera as a best in class product within its market.

In the last quarter of FY20, the Company successfully soft launched its new proximity enabled call points and staff badges that can facilitate real time location servicing via Bluetooth or RFID protocols with no third party hardware required.



This new technology enables the automation of workflow via with auto-presence and auto-cancellation of alarms, presence auto-logging of completed rounds, one touch mobile assistance with exact location notifications going directly into the Tacera solution and wireless notification devices.

The Company has also continued to focus on enhancing its market leading software suite with advanced clinical workflow, task management and business intelligence solutions.

Azure's Medicom, Tacera and Pulse brands are recognized globally as best-in-class healthcare communications and clinical workflow systems. The development of an open architecture, VOIP capable system that delivers IP to the patient bedside, is key to the evolution of the Tacera and Pulse brands well into the future.

Chief Executive Officer and Executive Director, Mr Clayton Astles, said "Whilst the year was one of unique challenges related to the COVID-19 pandemic, our strong full year result is reflective of the underlying strength of our business and the dedication of our employees during a difficult period. As we continue to execute on our long-term strategic plan and R&D roadmap, the company will be well positioned to take advantage of new opportunities as we come through this crisis."

The Board is pleased with the resilience shown by the Company to operate through the challenging COVID-19 environment experienced in the second half. It also notes that further short-term impacts are likely as each region continues to deal with COVID-19. However, the board believes one of the outcomes of COVID-19 on the global nurse call and workflow solutions market will be a recognition by numerous governments of their level of underinvestment and unpreparedness to manage the pandemic. We believe the Company is extremely well placed to benefit from this market growth due to its broad coverage across multiple regions and its market leading products.

This ASX release was authorised by the Board of the Company.

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Further Information

Clayton Astles
Chief Executive Officer
Telephone AUS:+61 411 531 170
Telephone US: +1 416 565 7457
Email: clayton.astles@austco.com

Brendan Maher
Chief Financial Officer and Company Secretary
Telephone AUS:+61 439 369 551
Email: brendan.maher@austco.com

About Azure Healthcare Limited (ASX – 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