

28 April 2020

ASX Announcement

Azure Healthcare COVID-19 update

- **Supply of raw materials and products has largely recommenced however logistical challenges remain**
- **Access to Sites remains an issue**
- **Government stimulus packages have provided \$1.2M in grants and low interest loans**

The Board and management of Azure Healthcare (ASX: AZV), provide this update on impact of COVID – 19 on the current operations and cash resources of the Company.

Impact of the Production and Delivery of our Products

Whilst the COVID-19 outbreak led to an initial disruption within our supply chain, most of our suppliers have returned to full production, albeit with increased safety measures which has impacted efficiency. Transport of goods from China remains an issue as many carriers have significantly reduced or eliminated key routes and air freight capacity has reduced. Carriers that continue to operate in the region have increased prices due to high demand.

As a result, we are seeing short term pressures on our margins and we have started to see inventory stock-outs emerge on certain products. We expect to experience some delayed product deliveries in the coming months.

Impact of Access to Sites

Over the past month we observed an increased adoption of isolation protocols being enacted across most regions. The restriction of non-essential personnel at healthcare facilities and hospitals during the current period inhibits our ability to get system and product installers on site at operating sites. The extent this impact greenfield sites is dependent on regional governments personal movement restrictions, which vary across the regions within which we operate.

It is this area that will see most impact as revenue from completed system delivery will continue to be deferred for the short term, although we do note that some governments have commenced relaxing restrictions.

Government Stimulus Packages, Cost Savings and Cash

Azure has accessed a number of government stimulus packages across the regions from which it operates. These packages are constantly evolving, and the Company continues to assess our ability to access and benefit from them. Stimulus packages that are relevant to Azure have generally been packaged into three categories:

1. Wage and related costs subsidies;
2. Grants and refunds of previously remitted taxes or other obligations; and

3. Loans, generally targeted to maintain workforces and operations, some of which will be forgiven subject to utilisation.

Under these programs Azure has been able to access wage subsidies, grants and loans of \$1.2M, that relate to the period to 30 June 2020. The majority of these funds have been accessed via the US Paycheck Protection Program which will include a component that will ultimately be forgiven. The interest rate on that loan will be less than 1% p.a.

These grants and loans, together with the cash and cost saving measures that we outlined in the last COVID – 19 update to the ASX on 20 March 2020, ensure that Azure maintains sufficient cash to see through this current pandemic and beyond. Azure’s current cash at bank is \$5.7M.

Outlook

The Board maintains its previous Outlook to shareholders, being that the issues facing the Company are expected to be largely ‘timing’ in that there will be a deferment in some areas of operational delivery due to the extenuating circumstances that is affecting all aspects of community, business and economic life. Whilst we had anticipated this timing to resolve itself within Q4 based on current information it is likely this will now extend beyond June 2020.

Mr Clayton Astles, CEO of Azure said “I am confident the impact of COVID – 19 remains an issue of timing for Azure as to date we have not seen any material cancellations of orders, and our Open Sales Order Book remains as strong as it has been for the past six months”.

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

Clayton Astles
Chief Executive Officer

About Azure Healthcare Limited

Azure Healthcare Limited (ASX: AZV) is an international provider of healthcare communication and clinical workflow management solutions. The Company is headquartered in Australia, has subsidiaries in six countries and supports more than 4,500 healthcare facilities through our global reseller network.

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