



29 November 2017

Chairman's Address - Annual General Meeting 2017

Good morning Ladies and Gentlemen,

The Company embarked upon a bold strategy over the last 2 years including the transition of its manufacturing base to the United States and a full review of its product offering. This was necessary in order to obtain full FDA and regulatory compliance as well as progressing the Company's drive into research and development initiatives for new and improved products being demanded by an evolving healthcare industry.

Return to profitability

Azure turned a significant corner and returned to an operating profit of \$0.25 million for the 6 months ended 30 June 2017 after undertaking and completing our planned restructuring activities over the last 2 years. Whilst it is still early days we are encouraged by these initial results which we expect will continue well into the future as we further refine our processes and develop new and innovative products for the healthcare industry.

Industry update

The Healthcare industry players continue to increase investment and reliance on information-based systems in order to improve patient care. Azure has further expanded its core systems functionality through the release of new and improved products through the course of the year including Mobile Apps and Real Time Locating Systems (RTLS) which are designed to meet customer demand for data analytics in this developing environment.

A busy but rewarding year

During the 2017 financial year, the company not only completed its planned 2 year strategic plan including a full product review and rationalisation, transitioned its manufacturing to the United States, but also divested a non-core business, participated in a placement and rights issue capital raising, full FDA and regulatory compliance and launched new products including Mobile Apps and RTLS which have been well received by the market.

Financial performance

Revenue: Revenue from ordinary activities decreased by 8.8% in the 2017 financial year to \$29.19 million versus \$32.02 million in 2016 largely due to the disruption of moving manufacturing to the USA during the first half of the financial year. Note that second half revenues were \$16.08 million versus the first half revenue of \$13.11 million.

Earnings: Net earnings before interest, tax, depreciation and amortisation, (EBITDA) were -\$0.93 million (2016: -\$3.15 million), whilst earnings before interest and tax (EBIT) were -\$4.20 million including a one off non-cash impairment of Goodwill of \$2.75 million. (2016: -\$3.79 million). Net profit after tax (NPAT) was -\$6.42 million (2016: -\$3.65 million) which included \$4.83 million of one off non cash impairments to goodwill and the book value of its tax assets.

Net Tangible Assets (NTA): Net Tangible assets increased from 3.74 cents to 3.86 cents per share.

Operating expenses: Operating expenses decreased by 20.46% from 2016 largely due to the restructuring and product rationalisation programs explained above. Our Research & Development investment expenditure increased from \$2.9 million in 2016 to \$3.1 million, which was fully expensed in the 2017 financial accounts.

Cashflow: During the year the Company generated negative operating cashflow of \$2.55 million in light of restructuring activities and finished the year with cash at bank of \$1.72 million. Note that the Company retired \$0.9 million of bank debt during the year.

Final Dividend: The directors have not declared a final dividend as the Company will continue to focus on short-term working capital requirements where necessary for production expansion, product rationalization and further research & development investment.

Delivering on our research and development

The future of the Company remains positive as increased investment flows and growth create significant revenue opportunities. During the year the Company launched its Mobile Apps and RTLS applications. Software maintenance revenues for the 2017 year were \$1.75 million or 6.1% of total revenue compared to \$1.4 million or 4.2% of total revenue in the previous financial year. The Company is targeting enhanced patient stations with built in RFID, Near Field Communications (NFC) and further integrations in the 2018 financial year.

Well positioned for future growth

The future of the Company remains healthy as demand for software and infomatics based solutions increases the investment flow into our industry and creates significant revenue and growth opportunities for us moving forward.

I thank our employees for their dedication and shareholders for their ongoing support as we continue to build a better and stronger company.

Graeme Billings
Chairman