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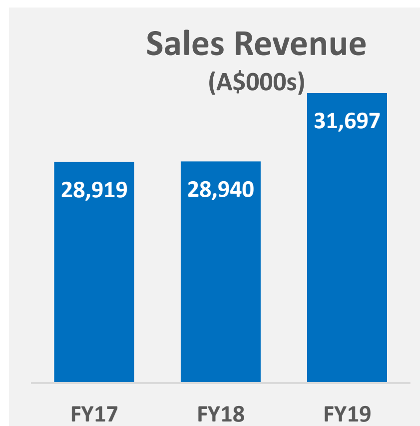
ASX Release

Azure Healthcare Strong Second Half Drives Profitable Year

- **Sales revenue up 9.5% on FY18 to $31.7 million in FY19**
- **Normalised 2H19 NPAT of $0.5 million double 1H19 result of $0.26 million**
- **Normalised 2H19 EBITDA of $0.77 million a 52% increase on normalized 1H19 result of $0.51 million**
- **R&D cash expenditure increased from $3.44 million in FY18 to $3.58 million in FY19**

Azure Healthcare Limited **(ASX:AZV)** announces a 9.5% sales revenue increase over FY18 to $31.7 million. The second half sales performance was $16.7 million, an 11.7% increase on first half sales revenue of $15.0 million and a 13.8% increase on the previous corresponding period of $14.7 million. This result reflects strong sales growth across all geographic segments over the year and an increase in software revenue of 11.1% to $3.5 million.



Statutory net profit after tax was $0.64 million, normalised to $0.76 million after first half abnormals of $0.18 million in cost of goods as a result of a project cost write-down and $0.54 million in operating costs as a result of the management restructure. A further $0.6 million tax benefit was realised at the end of the year.

Normalised Profit

A$000s	FY19 (Statutory)	1H19 (One-offs)	2H19 (One-offs)	FY19 (Normalised)
Gross Profit	14,580	(181)	-	14,761
Overhead	(14,493)	(544)	-	(13,949)
EBITDA	558	-	-	1,283
NPBT	87	-	-	812
Tax	550	-	(600)	(50)
NPAT	637	-	-	762

The November market update advised of the particular challenges faced by the business in the face of the potential introduction of US tariffs on goods imported from China. The announcement of the proposed tariffs immediately resulted in a substantial increase in market demand for Chinese goods to be delivered and stockpiled prior to the commencement of the tariff regime. As a result, Azure Healthcare experienced longer than normal delays and higher unit costs in sourcing Chinese componentry.

The mitigation measures instituted by the company have resulted in an increase in gross margin in the second half to 47.3% from 45.7% (normalised) in the first half. Normalised EBITDA for FY19 was $1.28 million, down from $1.58 million in FY18.

Cash flow from operations remained positive at $1.42 million for the year, down from $2.03 million in FY18 due to a 14.5% rise in operational payments compared with an 11.3% rise in receipts. This rise in operational payments was driven by the issues associated with tariffs and increasing levels of inventory required to meet a strong order book.

Cash on hand was $1.95 million as at 30 June 2019, down $0.07 million from the half year at $2.01 million and $0.36 million down from the previous year at $2.31 million. This decrease is the result of funding increased inventory, as well as the additional cash costs of the first half. Positive operating cashflow of $1.42 million was generated compared to $2.03 million in the previous corresponding period. The Company repaid $0.37 million in short-term borrowings during the year and in July a new working capital facility was activated to replace an ANZ facility.

Research and Development cash expenditure increased from $3.44 million in FY18 to $3.58 million in FY19. Over the year, the constant R&D focus has resulted in several product releases that continually upgrade the flagship product suite, Tacera, and retain its best in class position in the market. A new application station touch screen provides a clear display of active calls and rounding reminders, improving the quality of care given and consequently increasing patient satisfaction levels. Similarly, a two-way intercom module that uses voice over internet protocol (VoIP) to enable communication between healthcare staff and patients in their rooms was launched, called IP Talktwo Intercom. Work continues on added functionality and expanded capability of the enterprise reporting and analytics system and new features are continually being added to existing platforms to stay ahead of the market.

The order book continues to grow to unprecedented levels, and the reseller network was expanded into China, India, Bangladesh, Sri Lanka and Pakistan with the new resellers having access to large banks of customers. The company also achieved large contract wins of $1.3 million and $1.9 million in Canada for a new hospital and with an owner and operator of senior living communities across Canada respectively.

Chief Executive Officer and Executive Director, Mr Clayton Astles, said "The year was one of two distinct halves with the first half impacted by the tariff introduction and the second half reflecting the company's efforts to mitigate the effect of those imposts.

"The company has achieved this mitigation of tariffs by diversifying its supplier base and increasing order quantities to benefit from lower unit costs. Direct shipping to customers has also alleviated order fulfilment delays. Despite these market challenges the order book continues to remain strong," he said.

The board is pleased with the operating results considering the challenging environment experienced in the first half and retains a positive outlook for the Company.

~ ENDS ~

AZURE
HEALTHCARE LIMITED

Further Information

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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