

20 March 2020

ASX Announcement

## **Azure Healthcare provides COVID-19 environment operational update**

The board and management of Azure Healthcare (ASX: AZV), (“Azure”, “the Company”) provide this briefing on the current operations and activities of the Company within the unique environment and heightening concerns of the global pandemic caused by COVID-19 (virus). The board and management confirm maintenance of ample cash-at-bank to support ongoing operations. Azure Healthcare recognises that this is an extremely difficult time for all stakeholders and the broader community and wishes to reassure that our key priorities remain the health and safety of our staff and customers while remaining focused on working hard to maintain business operations as effectively as possible. Azure Healthcare products and services remain more relevant to the healthcare sector today and in the near future, than ever before.

### **Risk Assessment/Market Conditions**

Azure regularly reviews the Company’s risk profile given the global nature of its customer markets. A formal assessment of the current virus impact scenario has been undertaken to identify measures to mitigate virus related impact. It has become clear that the significant increase in the spread of this virus will impact global business across many industries. The current outlook remains opaque for the immediate term. However, we are monitoring the proposed action taken by governments and communities as well as the stimulus to a number of the economies we operate within, to assess the duration of the impact to business and assess the time for recovery. Certainly, there is the possibility of increased funding to healthcare services, hospitals and technology, which may provide opportunity for healthcare businesses in the future. With a broad view of the situation, we see any impacts to Azure, as a timing issue.

### **Supply Chain**

As with many companies, the COVID-19 outbreak has led to disruptions and restrictions within our supply chain. While factories in China have resumed production, we have been advised by our Chinese suppliers that product deliveries may continue to be delayed due to quarantine guidelines around the world.

While these supply chain challenges may delay product deliveries in the coming months, we continue to adapt as the situation evolves to ensure the business impact is minimized, while keeping our employees and customers safe.

### **Service Installation**

Due to isolation protocols being enacted, particularly across North America and Australia, an area of impact for Azure is the restriction of non-essential personnel at healthcare facilities and hospitals during the current period and into the next few weeks. Getting system and product installers on site is a key component of our contract terms, therefore we will experience a lag in getting staff on site to complete this function. This is a delay of the contract implementation rather than cancellation. It is this area that will see most impact as revenue from completed system delivery will be deferred for

several weeks and into Q4. It is unclear at this stage of the duration of these site restrictions, but Azure is keeping abreast of this issue and will be able to move swiftly to install and meet the contract terms as soon as appropriate.

### **Costs and cash saving**

Management has reviewed all areas of company spending, both essential and non-essential and has commenced implementing as many prudent initiatives as possible in order to preserve cash and improve efficiencies while the impact of the virus pandemic is worked through by governments and communities to a conclusion. Azure is well placed in terms of cash at bank to maintain all its financial and operational commitments in the interim and planning will be undertaken to ensure an effective rebound response can be implemented when required.

Cash and cost saving measures have and will include:

- All staff to utilise leave, reduce hours over the next couple of months;
- Significantly reduced travel and attendance at industry conferences; and
- Other costs that do not impact our outbound sales growth strategy.

### **Outlook**

Following a very pleasing financial performance for the second half of calendar 2019 where Azure saw improved margins (51.5% from 44.5%), revenue increase (12.1% to \$16.78m) and a 274% increase to NPAT on the previous corresponding period, Azure is resilient to weather the current environment. December 31 cash at bank was over \$6m and based on financial modelling Azure maintains sufficient funds to meet its obligations and to continue to implement its business strategy. The Board wishes to reinforce to shareholders 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.

Your Board and Management are diligently analysing all areas of the business not only for areas for cost minimisation but also areas of efficiency which will enable the Company to respond effectively once the world recovers from the current emergency. We believe the products and systems provided by Azure Healthcare are the best in class for modern effective healthcare.

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. As the largest manufacturer of call systems in the southern hemisphere, your healthcare facility can be assured of the highest standard of product quality and performance. Azure Healthcare services markets in Australia, New Zealand, Canada, UK, USA, Middle East and Asia. For more information please visit: [www.austco.com](http://www.austco.com)