

CHAIRMAN'S ADDRESS

ANNUAL GENERAL MEETING

14 NOVEMBER 2019

Introduction

Good morning everyone and thank you for joining us today. I'm Graeme Billings, the Chairman of Azure Healthcare, and I'd like to welcome you all to the 2019 Annual General Meeting.

Given we have a quorum, I now declare the meeting open.

I'd like to begin by introducing my fellow board members:

- Mr Clayton Astles, Executive Director and the Company's Chief Executive Officer
- Independent Non-Executive Director Mr Brett Burns, who is also Chair of the Company's Remuneration Committee
- Independent Non-Executive Director Mr Tony Glenning, and
- Mr Brendan Maher, Company Secretary and Chief Financial Officer.

I would also like to welcome Ms Joanne Lonergan, a Partner of our auditing firm, Ernst & Young.

Financial Performance

Despite the challenges of the year, the Company produced a statutory net profit after tax of \$637,000. Sales increased significantly, with total revenue increasing 9.8% over the previous year to \$31.8 million, and all geographic segments reporting an increase in sales. Revenue from software sales, and service and maintenance agreements grew by 11% to \$3.5 million, surpassing the combined 9.3% growth in equipment sales and installation services. This is a good performance in the face of adverse market conditions and comes with encouraging signs of growth.

The year was dominated by the impact of the US/China trade war, specifically the tariffs introduced on goods imported into the US from China. These tariffs had the effect of increasing the costs of our inputs and squeezing our gross margin, given the increased costs generally could not be passed on to customers. As a result, the most critical mandate to management was to diversify supply sources away from China. I am pleased to report that these actions are taking effect, with the Company's gross margin showing signs of restoration in the second half of the year.

Cash flow from operations continued to be positive at \$1.42 million as at 30 June 2019, with net cash remaining stable over the period at \$1.67 million, despite the additional cash imposts

CHAIRMAN'S ADDRESS

ANNUAL GENERAL MEETING

14 NOVEMBER 2019

on the Company over the year. Cash on hand at the end of the period was \$1.95 million, down \$362,000 compared with 30 June last year at \$2.31 million. The reduced cash flow and cash on hand levels partly reflect increased inventory of \$881,000, as a result of the tariffs and necessary support for increased sales, as well as the significant cash costs of the restructure, and the repayment of a further \$378,000 of borrowings.

First-in-Class Products

During the year, the Company secured some large contracts in the North American market. One of these contracts was secured through a rigorous competitive process against several top-tier nurse call systems providers and we were pleased to learn from the customer that our product, Tacera, won that process because its software interfaces are the most flexible and advanced in the market. Another contract won during the year was awarded to Azure Healthcare outside of a competitive process on the basis that there is no comparable product in the marketplace at present. There can be no greater indication that our products are first-in-class.

Research and development remains a core focus for the business as we strive to retain our market leading position with products that are more progressive and comprehensive than those of the competition globally. We know this because that is the feedback we receive consistently from our customers.

At the last AGM, I explained the impact of the new US tariff regime on our business and the supply bottlenecks caused by a rush of forward ordering of Chinese componentry. I am pleased to report that these manufacturing bottlenecks have been resolved. Fortunately, our strong relationships with our customers meant that we could weather the long delays in order fulfilment without any long-term effect on our core customer base. Similarly, our order book remains strong, a further indication of the market's assessment of our products.

Strategy

We have spent the past few years revitalising the business and returning it to profitability. We have introduced a recurring revenue model and invested over \$13 million in research and development since 2016. More recently we have commenced the process to de-risk the business from the US trade tariff impact.

I am pleased to say that with the strength of the business foundations we have built over these years, we are now able to focus more fully on realising the value of our R&D investment and growing our sales revenue in each of the geographic regions. The current financial year will be spent adding resources to aggressively grow our sales across the business.

CHAIRMAN'S ADDRESS

ANNUAL GENERAL MEETING

14 NOVEMBER 2019

We have an extensive reseller base that stretches across the globe to maximise our world-wide presence and we intend to further build the value of this network in terms of the number of resellers as well as the quantity of sales by resellers where appropriate.

We continue to develop our internal sales and marketing capabilities which enable us to secure the larger and more sophisticated contracts where there also may be opportunities for additional, longer term software and service maintenance agreements. However, like everything, growth must be managed and resources must be used with the close scrutiny that ensures the most efficient utilisation.

I am pleased to announce that yesterday's trading halt relates to the raising of new equity to underpin the expansion of the business. We have completed a \$2 million placement with new and existing investors. Due to high demand the placement was in-excess of what was sought. This validates support from the market as the Company goes forward pursuing growth. We will also conduct a non-renounceable rights issue to raise up to an additional \$1.5 million from existing shareholders on the basis of 1 right per 11.88 shares. Both of these raisings are at 6.8 cents per share. The majority of this new capital will be used in sales and marketing initiatives to capitalise on the industry-leading products we have invested in over the past several years in a global marketplace that will continue to expand.

Outlook

We intend to retain our R&D commitment to maintain our first in class product suite. With the order book remaining high and our fresh injection of capital, we are confident that we are now well placed to deliver on our strategy and begin to significantly grow our revenue base over the short to medium term.

Conclusion

We believe Azure Healthcare is at the forefront of global healthcare technology. Unlike many of our competitors in medical software and devices, we have a truly global footprint with regulatory approvals to operate in all major markets. The challenge now is to realise the potential of this position for the benefit of shareholders, and I believe that Azure Healthcare has the team and the products to do this.

I would like to thank each one of our dedicated and highly capable employees, who have continued to seek out opportunities and solve problems in their everyday activity. I would also like to thank our shareholders for their ongoing loyalty and commitment.

Thank you again for joining our AGM this morning.

CHAIRMAN'S ADDRESS

ANNUAL GENERAL MEETING

14 NOVEMBER 2019

I'd now like to invite our Chief Executive Officer, Clayton Astles to update you on the operations.