

Ellex Medical Lasers

Investor Presentation
for six months ended 31 December 2014

(27 February 2015)

Tom Spurling, CEO



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Ellex Snapshot February 2015

- A global leader in ophthalmology devices in business for 30 years and listed on ASX since 2001
- Underlying market growth driven by ageing population, obesity and improving health care in the developing world
- Direct control over intellectual property and in-place brand, design, product development and manufacturing
- Selling directly to ophthalmologists into key global markets of USA, Germany, France, Japan and Australia. Long term distributor partners in all other markets
- Generating profit and free cash flow from existing product portfolio at a current annualised revenue rate of approximately \$60m per year
- Now in second year of reporting double digit sales growth and profit growth.
- Approximately 50% of total sales in US\$ gives good upside with falling A\$.
- Growth potential with during FY15 and beyond of first-in-class treatment of early stage macular degeneration (2RT™)



ELLEX – OPHTHALMIC PRODUCTS

DIAGNOSTICS Ophthalmic Ultrasound

eyecubed™

RETINAL DISEASE

General Retinal Laser
Treatments i.e. PRP

integrepro
scan™
integrepro™
solitaire™

EARLY AMD

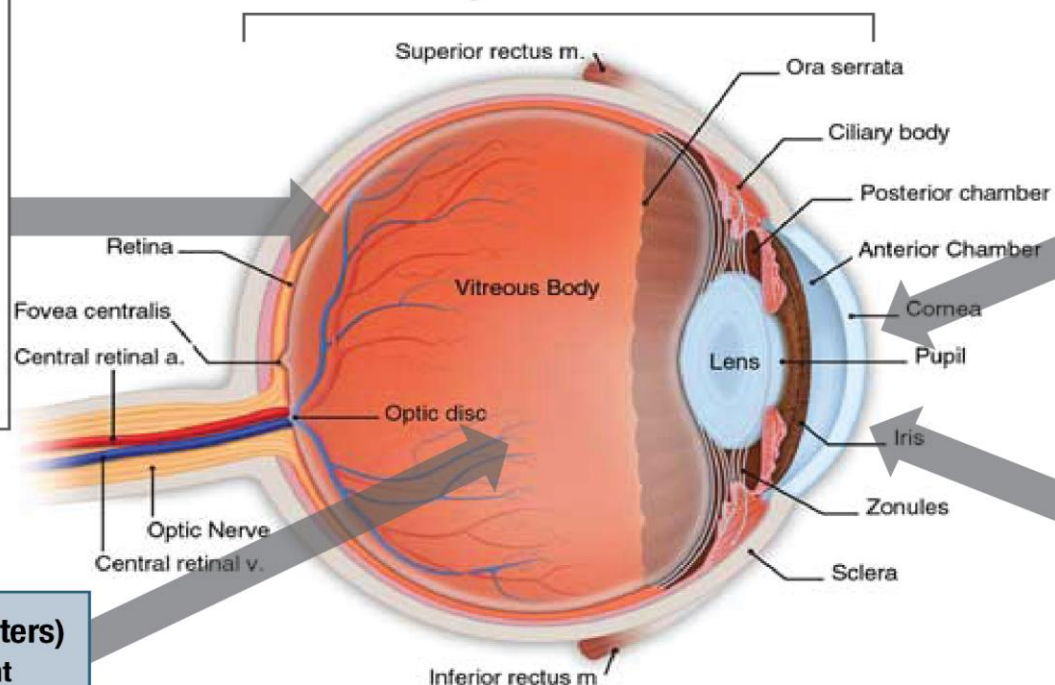
Retinal Rejuvenation Laser
Treatment

2RT™

VITREOUS OPACITIES (Floaters)

YAG Laser Vitreolysis Treatment

ultraQreflex™



SECONDARY CATARACT YAG Photodisruption Laser Treatment

ultraQ™
superQ™

GLAUCOMA

1. SLT Laser Treatment
2. Canaloplasty Surgery

tango™
solo™
itrack™

ellex

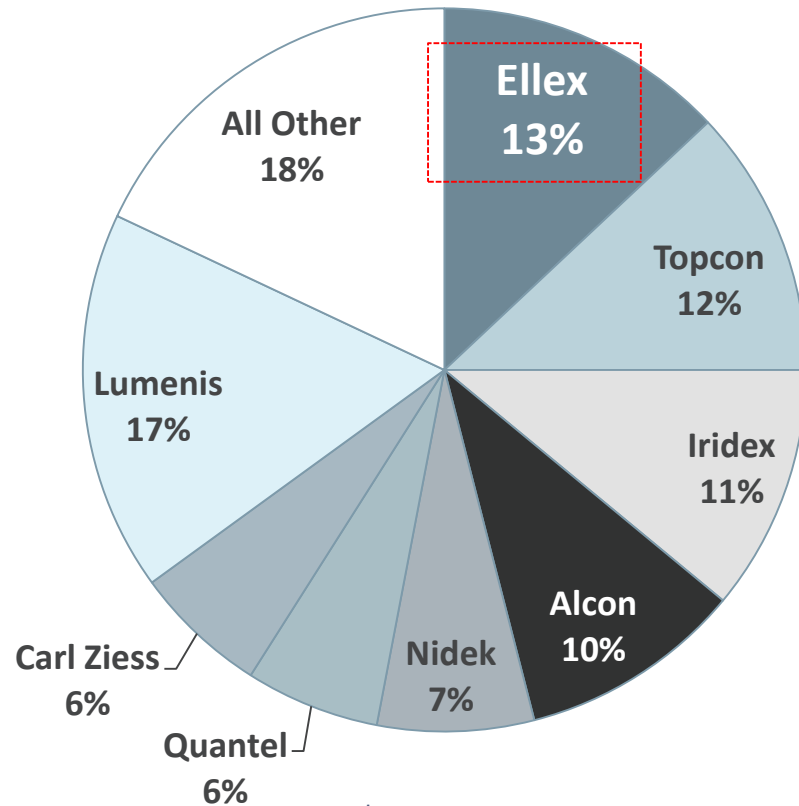
One Powerful Vision

Slide 4

Ellex – A Market Leader

Ophthalmic lasers

(includes SLT, Photocoagulators & Photodisruptors)

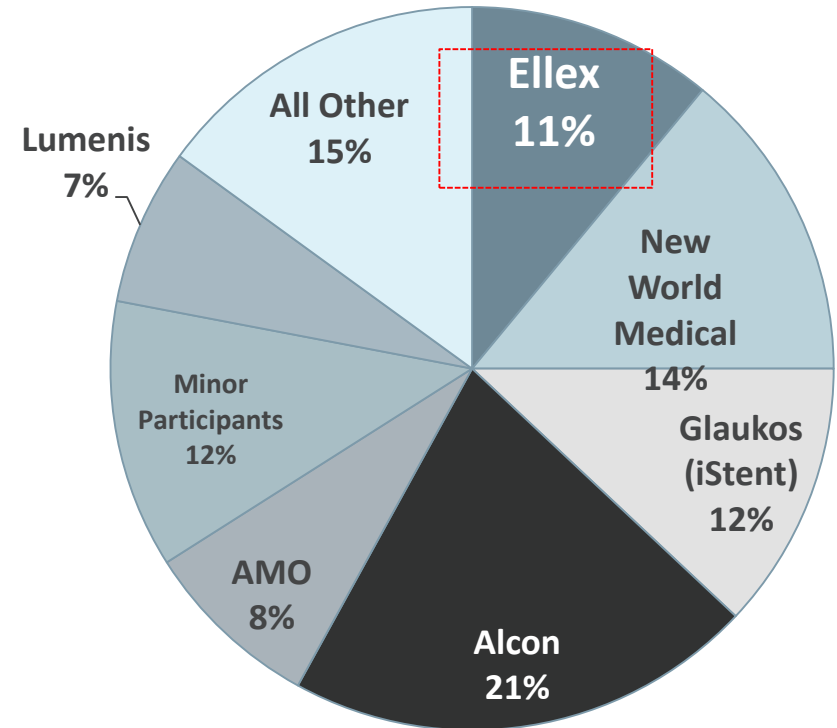


Market size estimate \$380m growing at CAGR of 3.3% to \$450m

Source: Market Scope 2013 Comprehensive Report of the Global Ophthalmic Laser Market

Glaucoma Surgical Devices

(includes SLT and canaloplasty)



Market size estimate \$275m growing CAGR of 24% to \$870m by 2019

Minor Participants = EndoOptiks, Lightmed, Maltemo, Neomedix & Mobius



One Powerful Vision

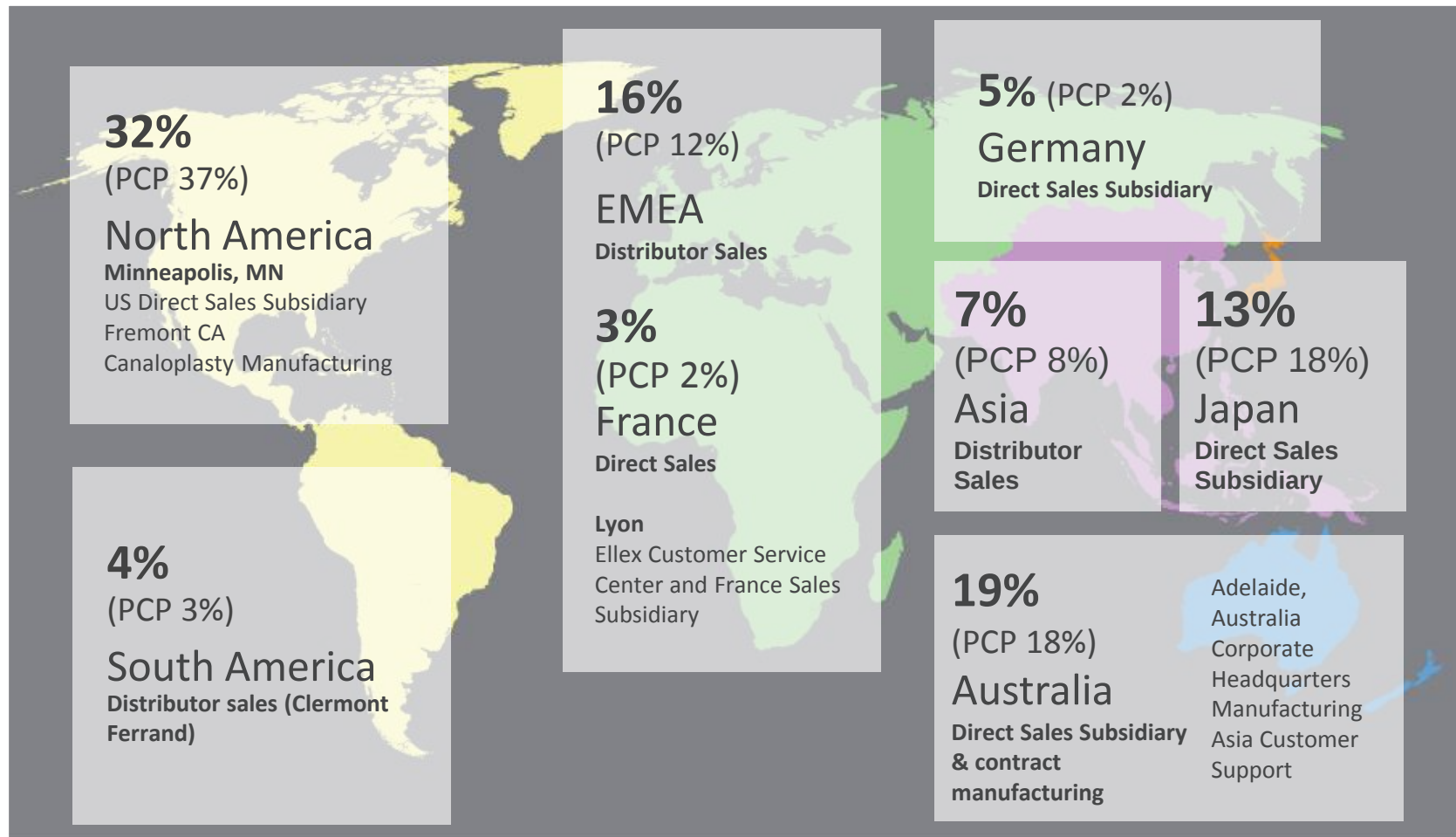
Slide 5

Highlights for first half of FY15

- Strong revenue growth of 19% over PCP of which half is organic
- Improvement in gross margin driven by good take-up of new products.
- Positive and improving free cash flow from operations.
- Recurring consumable and service revenue growth to \$4.8m (16% of total) compared with \$1.9m (8% of total) in prior corresponding period.
- Continued progress in commercialisation strategy of proprietary 2RT™ technology with increase in the momentum of sales in FY15 following initial sales in FY14.
- Revenue and profitability during FY15 being driven by:
 - acceleration of 2RT sales
 - continued adoption of SLT for glaucoma in the US despite new entrants in the US market
 - release of the new Integre Pro photocoagulator range, sales of unique laser for vitreolysis, a full year contribution from canaloplasty business
 - lower A\$ against US\$



Ellex –Global Distribution



Market and Financial Summary

Summary Financials			
Period	1HFY14	1HFY15	Change (%) FY14 to FY15
Revenue (\$m)	25.9	30.7	+19%
EBITDA (\$m)	1.4	2.7	+93%
Amortisation and Depreciation	0.6	1.3	>100%
PBT (\$m)	0.7	1.3	+85%
Reported NPAT (\$m)	0.4	0.8	>100%
EPS (cents)	0.36	0.75	>100%
OCF (\$m)	1.4	2.1	+41%
FCF (\$m)	0.3	1.1	+260%
NTA Per Share (c)	20.0	17.0	-15%

Market Summary	
Shares on Issue	107.6
Share Price @ 24 Feb	\$0.33
Market Cap	\$35.5m
Net Debt @ 31/12/14	\$2.5m
Gearing (D/D+E)	14%
EV (\$million)	\$38.0m

Share Register	
Top 20	48.6%
Directors and Management	19.3%

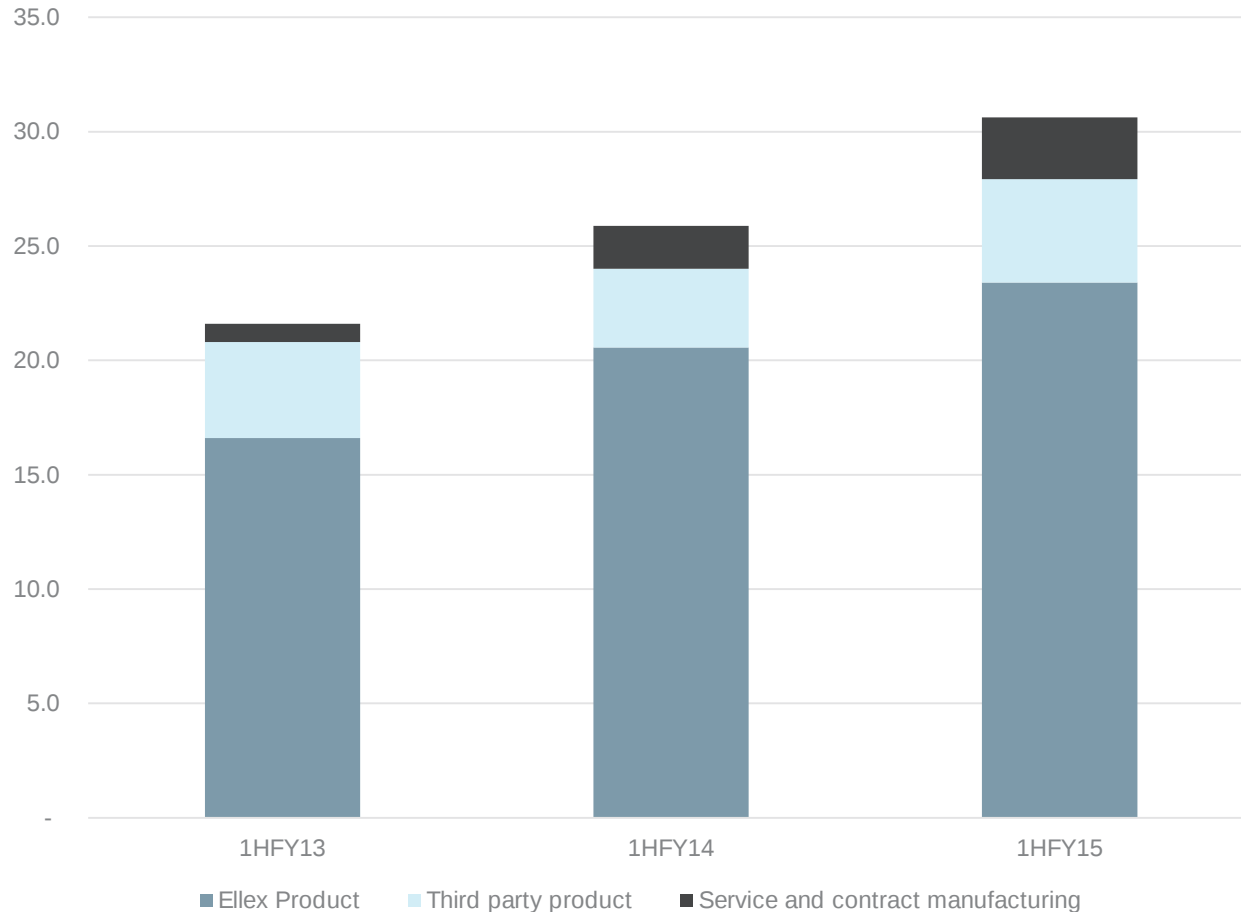


Financial Summary – Sales

	1H FY13	1H FY14	1H FY15	Change	
Australia	4.5	4.7	5.9	+26%	• New products launched • Sales force augmentation
USA	4.4	9.6	10.0	+3%	• Half year contribution from Canalopty US customers • New products launched
EMEA	5.1	4.3	7.4	+73%	• Half year contribution from Canalopty Europe customers • New products launch
Japan	6.0	4.7	3.9	-16%	
Asia	1.7	1.9	2.3	+17%	• See separate slide
South America	0.3	0.7	1.3	+79%	• New products launch
TOTAL	22.0	25.9	30.7	+19%	
Recurring Ellex-branded consumables & service component	1.1	1.9	4.8	+153%	• New products launch • Restructured distribution management



Financial Summary – Sales Lines of Revenue



Three Categories

- Ellex manufactured and branded product for all markets – *Good growth*
- Distribution of products manufactured by third parties mainly by direct sales force in Japan and Australia. Third-party products are complementary to Ellex range and serve to improve revenue per sales representative visit – *stable but change in mix*
- Service and contract manufacturing – *some growth*



Financial Summary – Impact of FX

Impact of Revenue	Total	Composition in millions			
		USD	YEN	EURO	AUD
Sales in AUD H1 FY15 at <u>actual</u> FX rates	30.7	14.6 (48%)	3.9	3.8	8.4
Performance Sales in AUD H1 FY15 at FY14 rates	30.5	14.1	4.2	3.8	8.4
FX generated revenue improvement/(decrease)	0.2	0.5	(0.3)	-	-

	Average FX rate v's A\$		Net position of \$A
	H1 FY14	H1 FY15	
USD	0.92	0.89	Devaluation 3%
YEN	91.78	96.90	Appreciation 6%
EURO	0.69	0.69	Stable

- Production costs – approximately 30% USD
- Operating Costs – approximately 45% USD



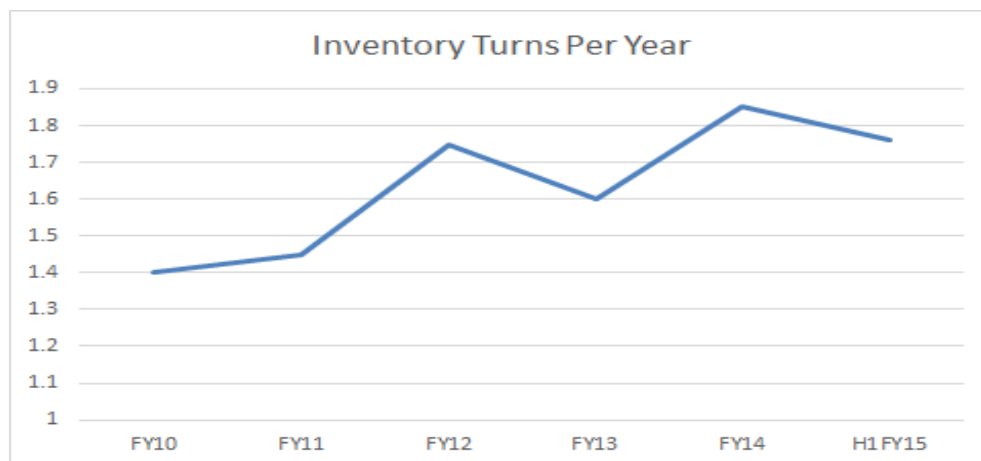
Financial Summary – Cash Flow

Operating cash flow negatively impacted by investment in inventory for Integre ProScan launch

Increase in Cap'd development costs in H1FY15 compared with H1FY14 relates to additional investment in 2RT “LEAD” clinical trial in H1FY15

Reduction in inventory turns in H1FY15 expected to reverse in H2FY15

PPE investment dominated by cost to fit out new Canaloplasty manufacturing facility in Fremont to secure US\$250K annual rental reduction



CASH FLOWS	H1 FY13 A\$m	H1 FY14 A\$m	H1 FY15 A\$m
Operating Cash Flows	1.8	1.3	2.6
Investing - PP&E	(0.3)	(0.1)	(0.3)
Cap. Development Costs	(1.2)	(0.9)	(1.2)
Net free cash flow (FCF) from operations	0.3	0.3	1.1
Acquisition of business	-	(1.6)	-
Debt (repayments)/proceeds	(0.3)	(1.2)	0.5
Proceeds of share issue	-	5.9	-
Net Cash Flow	-	3.4	1.1



Financial Summary - Japan Business

	H1 FY13	H1 FY14	H1 FY15
Sales in Japan in A\$	\$6.0m	\$4.7m	\$3.9m
Percentage of Sales Complementary Third Party Product	21%	30%	46%
Percentage of Sales Ellex Brand	79%	70%	54%

- Continued sales decline in Japan during the first 4 months of H1FY15 precipitated change in sales management late in H1 FY15.
- Sales in H1 FY15 were dominated by new agency line. This is a highly prospective consumable product however the margin is low.
- After several years of being the dominant territory contributing to earnings, restructure costs and poor sales meant that there was an operating loss in Japan in H1 FY15 Japan that reduced EBITDA down by approximately \$0.8m.
- The goal of the change was to revitalise total sales and in particular the relative amount of higher margin of Ellex-branded product



Financial Summary – Product Development Carried Forward

	\$millions		
Product Development Cost	H1 FY13	H1 FY14	HY FY15
Opening balance product development cost in balance sheet	6.6	8.3	9.6
Plus: New product investments (including 2RT clinical trial in FY15)	1.2	0.9	1.3
Less: Amortisation of investments in products	(0.3)	(0.4)	(0.7)
Closing balance of product development cost in balance sheet	7.5	8.8	10.2
Revenue increase on PCP for Ellex products	-	17%	10%



Financial Summary - Income Tax Expense

Effective income tax rate 39% for the following reasons:

- Non-deductible amortisation of deferred consideration for Canaloplasty acquisition increases effective rate
- R&D tax concession reduces effective rate
- Future tax benefit of losses in foreign jurisdiction with corporate rates <30% increases effective rate



Financial Summary – Balance Sheet

ASSETS	30 June 14	31 Dec 14
Cash	1.8	3.9
Trade receivables	11.8	11.2
Inventories	15.7	18.4
Product development capitalised	9.7	10.2
Deferred tax asset	6.8	6.3
PPE, iScience deferred consideration and other assets	8.4	8.0
Total Assets	54.2	58.0

LIABILITIES	30 June 14	31 Dec 14
Trade creditors	5.5	7.2
Borrowings	5.7	6.4
Deferred consideration	3.1	2.6
Provisions + Other	2.9	3.5
Total Liabilities	17.3	19.9

- Cash on hand benefited from positive cash from operations and timing of drawdown of short term receivables debt facility
- Reduction in receivables due to December 2014 sales lower compared with June 2014 sales
- Inventory increase in support of new product launch Integre Pro Scan in H2 FY15 and higher sales
- Increased capitalised product development costs reflects new product investment, net of amortisation
- Net debt reduced from \$3.9m at 30 June 2014 to \$2.5m
- Deferred consideration due to vendors of Canaloplasty business
- Trade creditors increase with higher inventory on hand



Outlook for FY15

Important factors influencing outlook:

- On-time release in Q3FY15 of Integre ProScan
- Stabilisation of Japan business
- Competitive landscape in USA for Glaucoma treatments
- Regulatory management in China
- Continuation of 2RT early adopter sales
- Continuation of good sales of UltraQ Reflex for treatment of floaters
- Maintenance of the level of A\$ vs USD, Euro and YEN as February 2015 levels

Outlook:

Provided our Japanese restructuring plans and new product launch are effective, we expect that full year revenue and profit before tax will materially exceed the prior year



Appendices

- 2RT™
- UltraQ™ Reflex™ sales
- Canaloplasty
- Integre Pro
- Asian Growth
- USA Glaucoma
- Reformatted P&L



2RT™ Program – Clinical Update

Treatment of early-stage age-related macular degeneration

LEAD trial being conducted Centre for Eye Research in Australia

- Major clinical study called LEAD launched in Nov 2012. Multi-centre, double-blind, 1:1 randomised controlled study of high-risk bi-lateral intermediate AMD patients
- As of end January 2015: Recruitment at 240 patients across 6 sites
- Recruitment target is 250 patients by 31 March 2015 and then recruitment will close
- Interim outcomes on 18 month patient data available in H1 2016. Final assessment of outcomes will be available 3 years after completion of recruitment
- Second clinical paper published in November 2014 with front cover of February 2015 hard copy edition of peer-reviewed journal.



2RT™ Program – Early-Adopter Sales Update

- Approved for sale for treatment of early AMD in countries that following “CE Mark” regulatory regime which include our direct markets in Germany, France, Australia and New Zealand and distributor markets in Asia (excluding China and Japan)
- Sales of 2RT units have been made to doctors in Germany, Netherlands, Australia and New Zealand. Doctors now treating patients with 2RT for early stage AMD. We estimate approximately 700 patients have so far been treated in the world.
- Operating costs H1 FY15 include small clinical support and product development team in Adelaide ensures data and outcomes from treatment experience of the early adopters is captured and shared in order to “fuel” further sales.
- Sales will continue to grow as pool of clinical data supporting efficacy grows.



2RT™ Program – Early AMD Market Size

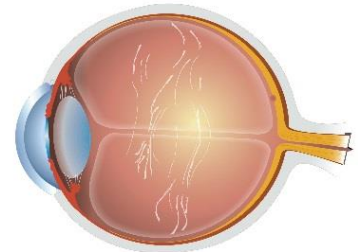
- Marketscope¹ estimates that 112 million people in the world are affected with early AMD.
- Early adopters consider 2RT in first-to-market device that is meeting this market need
- MarketScope¹ also estimates that as of December 2013 there were 78.5 million people affected with glaucoma and that there is currently an annual market for lasers for treating glaucoma of US\$50m.

1. MarketScope LCC, “Comprehensive Report on the Global Ophthalmic laser market” December 2013



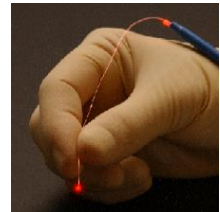
UltraQ™ Reflex™ Vitreolysis Laser Update

- Take up of UltraQ Reflex for treatment of floaters gained significant traction in H1 FY15 after initial product release in late calendar year 2013.
- Significant contribution to sales increase in all territories (except Japan and China where it is not yet released)
- Cataract and refractive surgeons have patients who, post op, complain of floaters obscuring vision. These doctors hitherto been unable to offer treatment and have now become enthusiastic customers.
- The UltraQ Reflex provides doctors with 3 reimbursable treatment modalities with a YAG laser, all other YAG lasers provide only 2 treatment modalities.
- Continued growth in this product line is expected as market awareness grows.



Canaloplasty Update

- As of 31 December 2014 this business has been owned for 12 months.
- Integration activities including:
 - Relaunch of product as Ellex brand
 - Education of sales team and integration of product with US Sales team
 - Manufacturing facility move from high-rent facility in Menlo Park, California, to nearby Fremont were completed during this period (rental saving approximately US\$250,000 per year)
- EDITDA of approximately 15% for the business on sales of \$2.1m for the half year to 31 December 2014 is in line with expectation at time of acquisition.

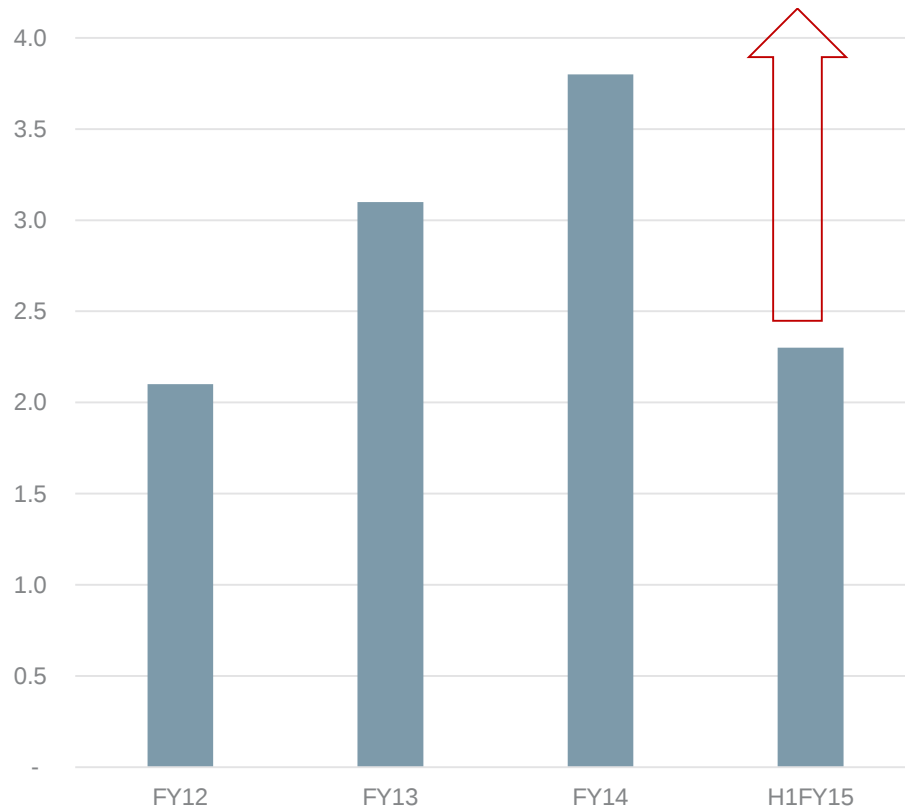


Integre Pro Photocoagulator Product Release

- “Integre Pro” photocoagulator production commencement in March 2014, replacing the “Integre” family phased out in mid FY14.
- Integre Pro offers doctors better power, more wavelength treatment options and better optics than competitive products
- New sales of Integre Pro contributed to H1 FY15 growth
- Integre PRO SCAN will provide Integre Pro functionality with a multispot scan pattern. Pattern laser photocoagulation provides faster treatment with more patient comfort
- Integre ProScan release in CE Markets, Japan and USA scheduled for H2 FY15 and early HY FY16 will contribute to revenue and profit growth



Asia Growth Update



- Good growth in Asia in H1FY15 is a consistent theme for 4 years
- China opportunity strong given current low level per-capita of cataract operation
- Regulatory issues continue to require careful management

USA Glaucoma Update

- Sales of YAG/SLT negatively impacted by competitors entering the market
- Market for SLT still growing with more USA doctors accepting SLT as preferable first-line treatment of glaucoma compared with topical drugs
- Sales of Canaloplasty catheter steady and profitable with growth expected as minimally invasive techniques like Canaloplasty replace radical surgery for glaucoma that is too advanced for SLT



Reformatted P&L (from 4D)

	\$A000's	
	Six months ended 31 Dec 2013	Six months ended 31 Dec 2014
Revenue related:		
Revenue	25,883	30,691
Realised FX	(475)	521
Other income	57	32
	25,465	31,244
COGS related items:		
Changes in inventories	240	621
Raw materials consumed	(12,906)	(14,997)
	(12,666)	(14,376)
Gross Margin related	12,799	16,869
	50.3%	54.0%
Operating costs related:		
Employee benefits expense (includes production labour)	(7,570)	(8,328)
Legal fees	(159)	(237)
Advertising and marketing	(814)	(1,701)
Product development expenses	(199)	(352)
Facilities cost	(819)	(1,140)
Other costs	(1,835)	(2,408)
Total operating cost related	(11,396)	(14,167)
	44.8%	45.3%
EBITDA	1,403	2,703
	6%	9%
Interest	(141)	(87)
Amortisation and depreciation	(608)	(1,322)
PBT	654	1,293

Changes over PCP

Additional staff Canaloplasty, additional staff to 2RT clinical

Tradeshows timing, additional tradeshow and Canaloplasty relaunch

Additional rent for Menlo Park Canaloplasty and establishment of new office in Berlin

Additional regulatory management for China, additional costs of Canaloplasty, subcontracted operating room sales team Japan



One Powerful Vision

Slide 27

END

