

ASX RELEASE

Ellex Medical Lasers Limited (ASX:ELX)

Adelaide, Australia

Date: 27 July 2018

Release: Immediate

Topic: Trading Update for year ended 30 June 2018



Highlights:

- **Group sales growth of 13%¹ compared to prior year to A\$79.1 million**
- **Targeted glaucoma sales growth strategy demonstrating tangible results with 39%¹ growth in the year and four-year CAGR of 28%**
- **\$11.4m¹ of Ellex iTrack™ sales accelerating with solid quarter on quarter growth of 20%¹**
- **Ellex Laser & Ultrasound sales up 10.4%¹ for the year, driven by strong glaucoma laser sales combined with divisional improvement in margin**
- **Ellex well positioned for ongoing growth trend with Ellex iTrack™ achieving 48% revenue growth in the USA and 20% outside the USA for the year**

¹ Based on constant currency

Adelaide, Australia 27 July 2018 – Ellex Medical Lasers Limited (ASX:ELX), a global leader in medical devices for the diagnosis and treatment of eye disease provides a trading update on its expected financial performance for the year ended 30 June 2018. Importantly, the results demonstrate material revenue growth directly attributable to the Company's unique combination glaucoma treatment (Ellex iTrack™ and Ellex tango™) offering in the rapidly expanding glaucoma therapy market with growing global revenues including in the USA, China and Europe. Ellex today provided a trading update on its expected financial performance for the twelve months ended 30 June 2018.

Expected sales and expected EBITDA by segment (unaudited) are shown in Table 1:

Table 1: \$A Million						
	Lasers & Ultrasound	2RT®	Ellex iTrack™	Corporate Costs	Other Income	Total
FY18						
Revenue	67.5 ⁽¹⁾	0.5	11.1 ⁽²⁾	--		79.1 ⁽³⁾
EBITDA/(loss)	8.3	(1.0)	(5.2)	(3.7)	0.1	(1.5)
FY17						
Revenue	62.5	0.9	8.2			71.6
EBITDA/(loss)	7.3	(0.4)	(1.3)	(4.1)	-	1.5

- (1) A\$69 million in constant currency
- (2) A\$11.4 million in constant currency
- (3) A\$80.9 million in constant currency

Ellex iTrack™ sales acceleration

Ellex iTrack™ has a significant opportunity to leverage the fast-growing minimally invasive glaucoma surgery (MIGS) device market with MIGS treatment spend expected to increase from US\$263 million in FY17 to US\$1.4 billion in 2022 (Marketscope “Glaucoma Surgical Devices Report” 2017).

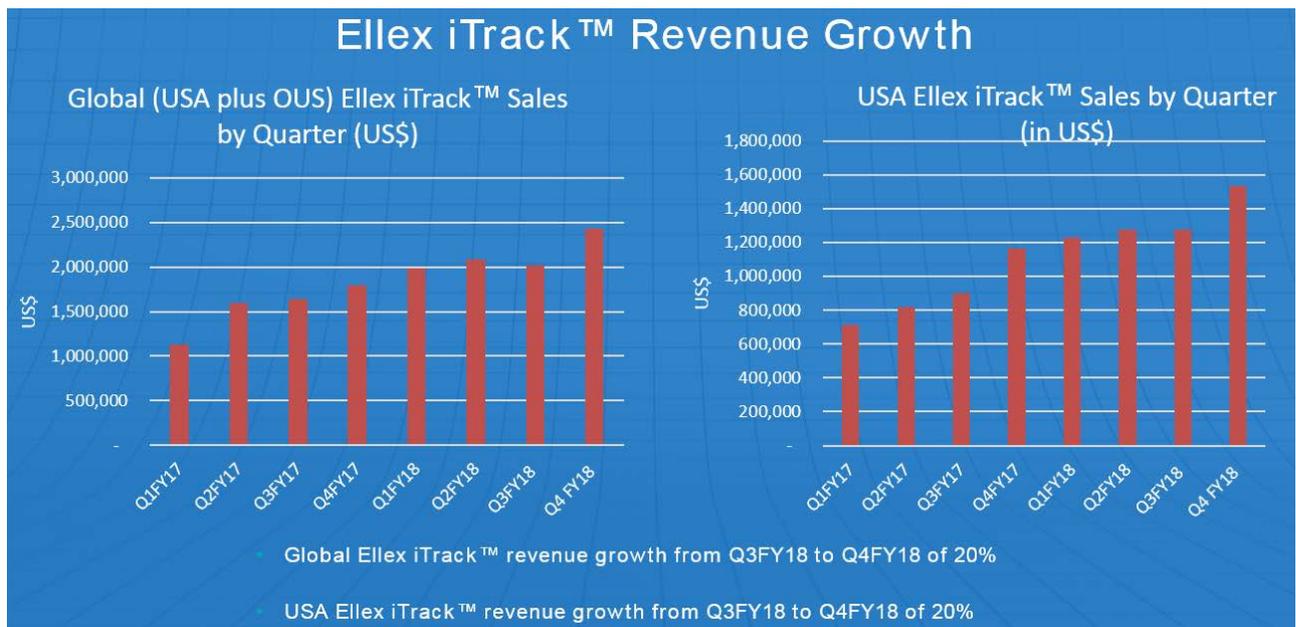
Overall Ellex iTrack™ global sales revenue for the year was up 38% with the largest market for Ellex, the USA, up 48% compared to FY17. Outside of the USA, sales revenue increased by 36% in China and 20% for the rest of the world.

Ellex commenced its marketing campaign for Ellex iTrack™ in late 2017 and during January to March 2018 deployed additional funds for enhanced sales and marketing. As the financial year progressed Ellex enhanced management of the USA sales force translating to 20% quarter on quarter sales growth in the fourth quarter of FY18. Outside the USA, quarter on quarter sales growth in the fourth quarter was 21% driven by solid sales in Europe and the continued take up of Ellex iTrack™ in China.

In line with the Company’s sales and marketing strategy, operating expenditure increased in FY18 primarily due to growth in sales and marketing infrastructure. The investment in sales and marketing ahead of expected revenue and growth has impacted reported EBITDA, leading to a loss of \$5.2 million versus \$1.3 million in FY17.

Subsequent to the period, Ellex announced the appointment of Joaquin Wolff, a recognised expert in the ophthalmic medical device industry, to the position of President, Ellex iTrack™, dedicated to running the Ellex iTrack™ business.

	12 months to 30 June in US\$		
	2017	2018	Growth
Units:			
USA	4,347	6,392	47%
China	1,165	1,550	33%
Rest of world	4,143	4,695	13%
	9,655	12,637	31%
US\$ sales revenue:			
USA	3,604,816	5,322,153	48%
China	555,000	752,250	36%
Rest of world	2,046,254	2,456,505	20%
	6,206,070	8,530,908	38%



Commenting on the result, Ellex CEO, Mr Tom Spurling said: “The improvement in Ellex iTrack™ sales in the USA in the fourth quarter and the feedback from our customers is demonstrating that our investment is resulting in improved market traction. The market for MIGS devices is still in its very early stages of growth creating the opportunity for Ellex to become a preferred supplier as physicians start to think about the role of MIGS in the glaucoma treatment paradigm. As a therapy that can be repeated and is rejuvenative, we are confident that Ellex iTrack™ has an important place in this rapidly growing market. We welcome Joaquin to the business in this exciting period of growth.”

Ellex Laser & Ultrasound

Laser & Ultrasound sales grew by 8% to A\$67.5 million, up from A\$62.5 million in FY17 driven by a 41% lift in glaucoma laser (SLT laser) revenue. The Ellex marketing model has allowed for increased marketing effort to USA physicians promoting Ellex tango™ as primary therapy for glaucoma during the year resulting in 10% growth in laser revenue in the second half compared with the first half.

Laser and ultrasound EBITDA margins grew from 11.6% in FY17 to 12.3% in FY18, driven by beneficial glaucoma laser sales mix alongside prudent expenditure management. EBITDA margins on retinal laser sales in Japan and to a lesser extent Europe declined marginally due to increased competitor activity and higher adoption of pharmaceutical interventions in the treatment of diabetic eye disease.

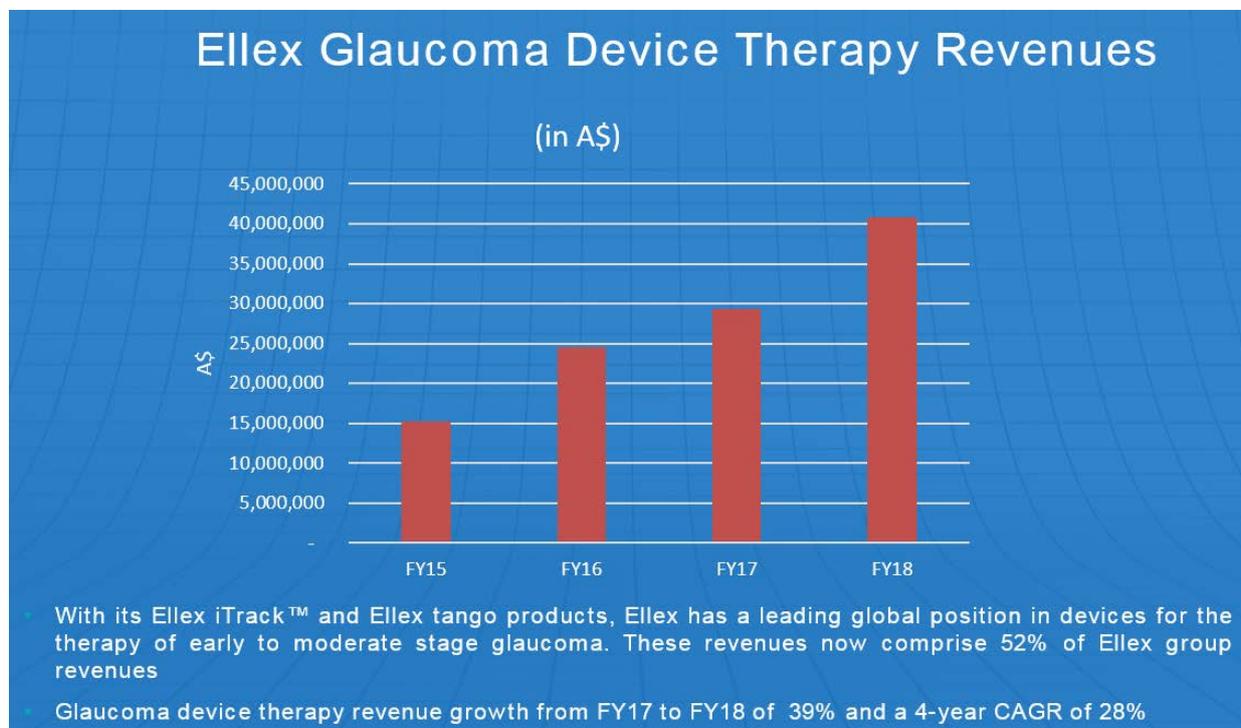
Commenting on this segment’s profit performance, Mr. Spurling said: “We are delighted with the continued top-line growth accompanied by improvement in EBITDA margin. Controlling expenditures and improving the sales of both glaucoma lasers and lasers for the treatment of secondary cataracts and vitreous opacities is the key to continued growth in profitability and revenue in the Laser and Ultrasound business.”

Ellex 2RT[®] therapy

A limited investment in marketing and clinical for the Ellex 2RT[®] business segment continued during FY18. Commercialisation of Ellex 2RT[®] is pending the outcome of the Laser intervention in Early Age Related Macular Degeneration (LEAD) clinical trial. The results of this trial are anticipated during the quarter ending 30 September 2018.

Growth Strategy driven by Rejuvenative Ophthalmic Products

Ellex will continue to exploit its unique combination treatment offering of glaucoma lasers and the Ellex iTrack[™] MIGS device in the fast-growing glaucoma therapy segment. This is a globally unique market offering that focusses on the rejuvenative effect of both devices on ocular structures. This product combination has yielded revenues of A\$40.9 million for the year ended 30 June 2018 representing growth of 39% on FY17.



This growth strategy is expected to be augmented by Ellex 2RT[®], pending the outcome of the LEAD trial. The Ellex 2RT[®] product, is also a rejuvenative therapy for patients in the early stages of age-related macular degeneration.

Ellex expects to release its audited full-year results in the week beginning August 27, 2018.

ABOUT ELLEX

Ellex designs, develops, manufactures and sells innovative products that help eye surgeons around the world to effectively and efficiently treat eye disease. Ellex is a world leader in this field. Headquartered in Adelaide, Australia, Ellex has ophthalmic lasers and devices that treat glaucoma, retinal disease primarily caused by diabetes, secondary cataract and vitreous opacities, as well as age-related macular degeneration. Manufacturing is carried out in Adelaide, Australia and Fremont, California. Sales and service directly to eye surgeons is conducted via subsidiary offices in Fremont, Minneapolis, Lyon, Berlin and Tokyo. A network of more than 50 distribution partners around the world services other markets.

For additional information about Ellex and its products, please visit www.ellex.com

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