



Ellex Medical Lasers Limited (ASX:ELX)

2019
Annual General Meeting
Presentation

Maria Maieli, CEO

28 NOVEMBER 2019
ADELAIDE, AUSTRALIA





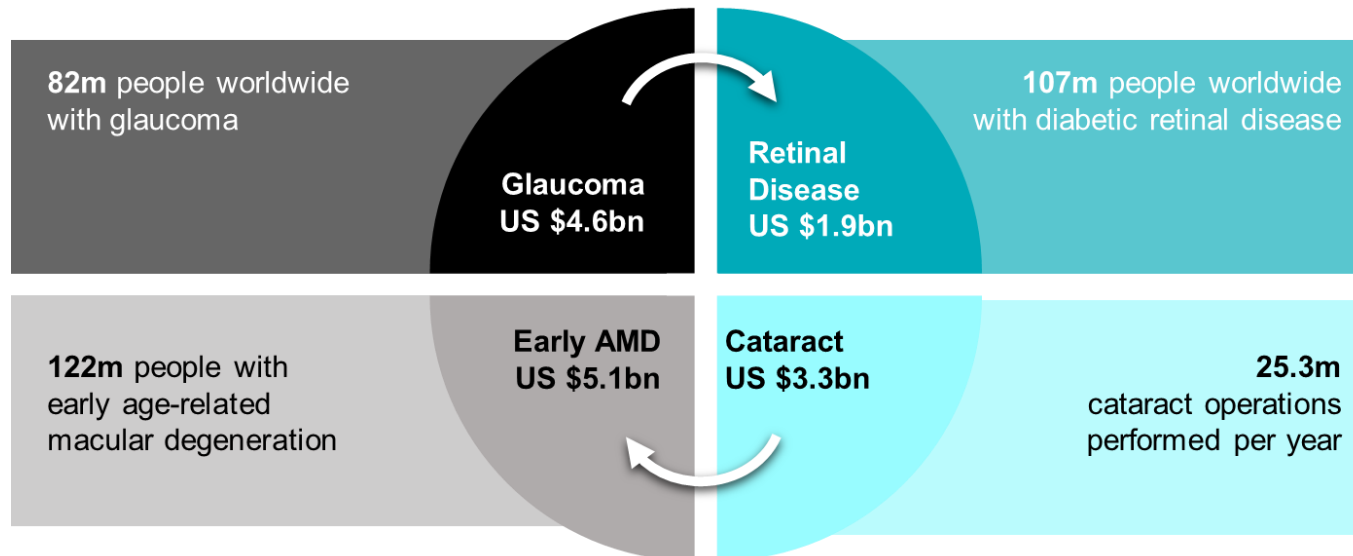
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Our Business

- Comprehensive range of ophthalmic lasers, consumable device business and diagnostic equipment, targeting multiple eye diseases
- Installed base of over 35,000 Ellex ophthalmic laser and ultrasound systems globally
- To date, more than 108,000 Ellex iTrack™ consumable devices sold worldwide to treat glaucoma
- A direct sales network in the major markets of USA, Japan, France, Germany and Australia; distribution in >100 countries
- Major growth opportunities in glaucoma and age-related macular degeneration





Our Core Competencies

VERTICALLY INTEGRATED

Through concept design & engineering, to cutting-edge manufacturing, and marketing our infrastructure allows us to leverage new technologies quickly and efficiently.

SALES DISTRIBUTION

Ellex has a direct sales and service in the USA, Japan, France, Germany and Australia augmented by 50 distributors in over 100 countries.

ESTABLISHED BRAND

The Ellex brand is globally recognized in ophthalmology. and is synonymous with best in class, high performance and reliability.

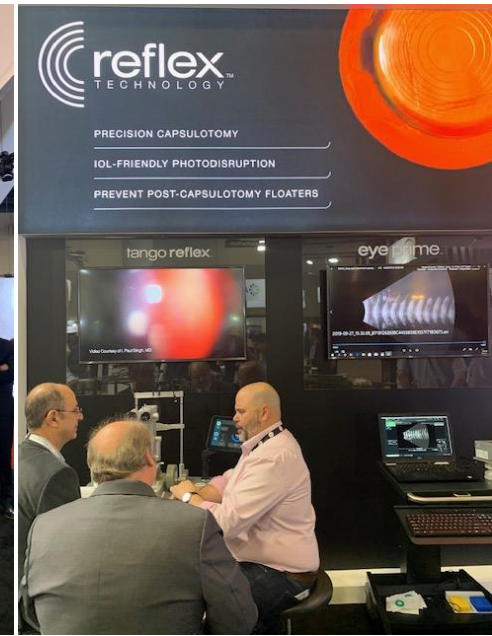
PRODUCT INNOVATION

Our innovation enables ophthalmologists to secure enhanced treatment outcomes for their patients across a number of different eye diseases.





Ellex Presence at Major Industry Conferences in 2019

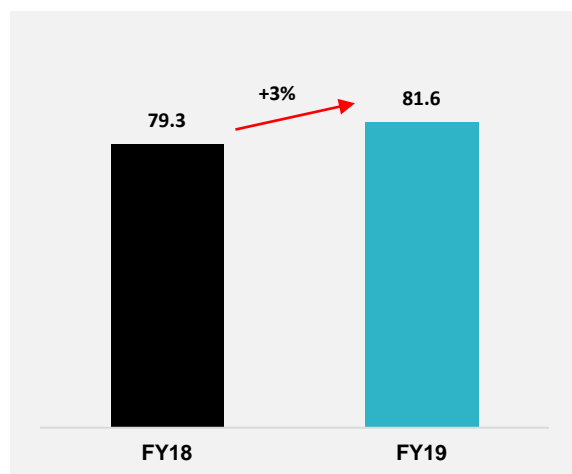




FY19 Group Financial Summary

- Sales of \$81.6 million, up 3% on the prior corresponding period (pcp)
- Operating expenditures were up 10% to \$52.4 million versus pcp reflecting continued investment into the expanding glaucoma segment
- Gross margin (ex-labour) was up 410 bps to 62.2% versus pcp
- Underlying EBITDA¹ loss of \$0.7 million, reported EBITDA loss of \$1.0 million, improved 3% on pcp

SALES REVENUE (\$m)



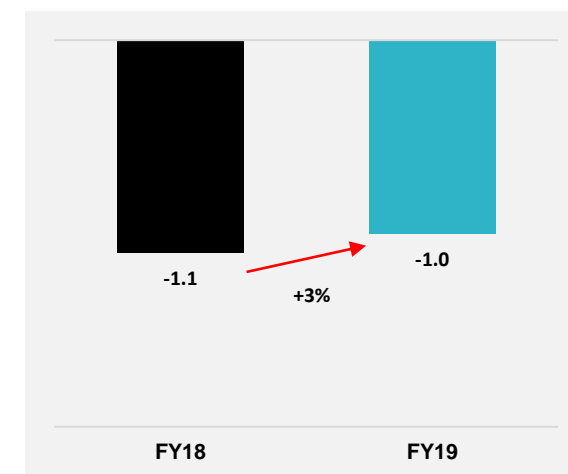
GROSS MARGIN (%)



OPERATING EXPENSES (\$m)



REPORTED EBITDA (\$m)



¹ Underlying EBITDA excludes restructuring expenditure of \$0.3 million



iTrack[™]

Canal-Based
Glaucoma Surgery

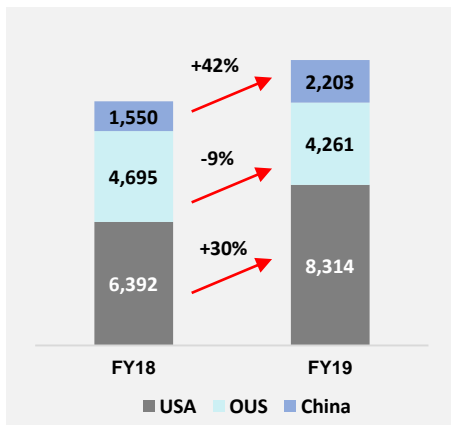




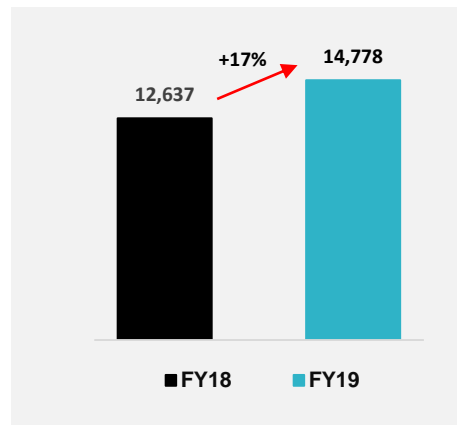
FY19 Financial Results – Ellex iTrack

- USA unit sales up 30%, OUS down 9% (acquisition of German distributor), Chinese unit sales up 42%
- Worldwide unit volumes increased 17% on pcp, revenues up 29% to \$14.3m; strong 3 year CAGRs
- Low **double-digit price rise** implemented in 4QFY2019, reimbursement remains very strong in key US market
- Gross margin (ex-labour) was 79% (down from 84% in pcp), reflecting manufacturing rework
- Demonstrated strong cost base leverage with iTrack segment in 2H, recording \$1.1m EBITDA loss (vs. \$4m loss in 1H)
- Higher Average AUD price attributable to US price increase, FX benefits and mix effects from higher US volumes

iTrack REGIONAL UNIT VOLUME

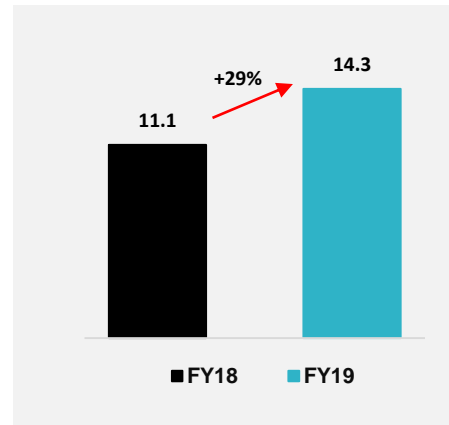


iTrack GLOBAL UNIT VOLUME



3 Year CAGR – 29%

iTrack GLOBAL REVENUE (\$m)

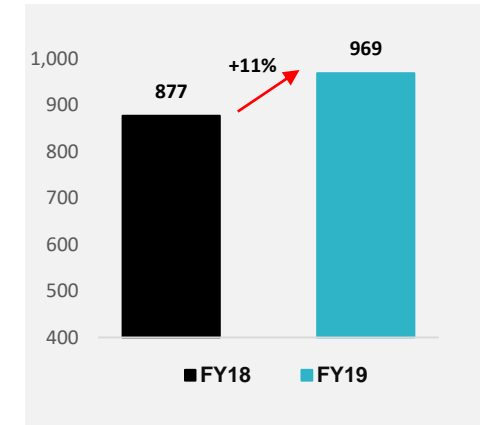


3 Year CAGR – 31%

iTrack EBITDA (\$m)



iTrack AVE. PRICE (A\$)





Lasers and Ultrasound



2RT™

Intermediate AMD



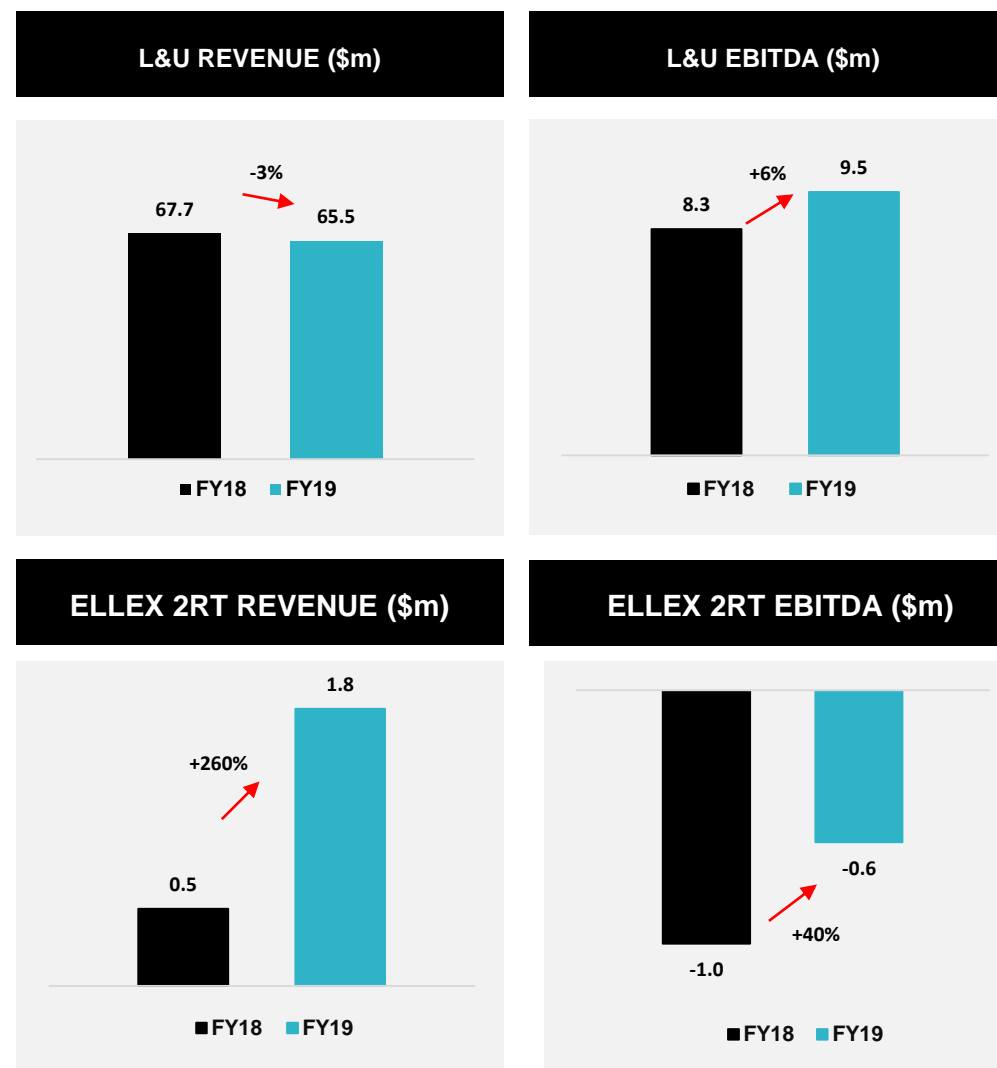
FY19 Financial Results – Lasers & Ultrasound

- Lasers and Ultrasound (L&U) revenue were down 3% to \$65.5m
- Gross margins up 5% to 59% ex labour
- Segment EBITDA increased 6% to \$9.5m

FY19 Financial Results – 2RT

- 260% increase in revenue to \$1.8m, sales moderated in the 2H
- Segment EBITDA loss decreased to \$0.6m
- EU sales driven by iAMD¹ indication post LEAD; Several new USA sales²
- Selling price & per procedure fee stable
- Procedural fee revenue of \$0.2m

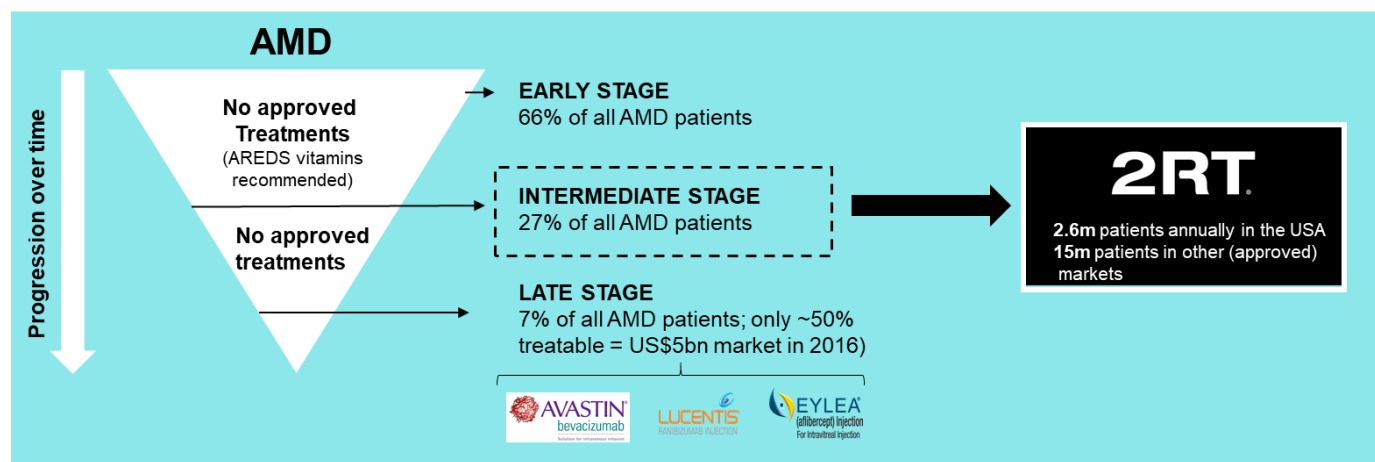
¹ intermediate Age-Related Macular Degeneration; ² 2RT has a 510(k) clearance by the FDA for clinically significant macular edema (CSME)





2RT FDA Update

- Over 12 months since the original LEAD study showed a significant clinical benefit over 3 years in intermediate age-related macular degeneration (iAMD) patients who lacked **RPD**¹ (RPD negative)
 - 4th year LEAD trial follow up showed sustained, positive 2RT treatment benefits in those same patients (announced in July)
- US regulatory pathway for 2RT in iAMD to be established following meeting with US FDA in early 1Q CY2020
- Currently **no** FDA cleared therapies for iAMD in the USA
- Represents a substantial untreated patient population, growing 2% p.a.
- Preferred strategic approach will be determined in 1H CY2020, following FDA outcome & could include:
 - Partnership(s) to defray clinical development costs
 - Spin-out of 2RT and separately funded
 - Self-fund



2RT LEAD TRIAL

77%

77% reduced rate of progression to late-stage AMD in 2RT treated group.*

*Post hoc analysis in patients without coexistent RPD.

4x

Four-fold reduction in the rate of progression in 2RT treated group compared to sham, non-treated group.*

*Post hoc analysis in patients without coexistent RPD.

¹RPD – reticular pseudodrusen; a fatty deposit that is associated with later stages of Age-Related Macular Degeneration (AMD)



FY20 Trading Update

- 2020 cost focus continues, with OPEX down 6% versus pcp delivering EBITDA improvement of 18% to \$2.0 million loss versus pcp
- 4 month group sales to 31 October up 3% on pcp to \$24.8 million
- Lasers & Ultrasound sales up 6% to \$20.5 million, driven by SLT with sales up 16% to \$8.6 million
- iTrack USA sales up 3% to \$3.0 million
 - Worldwide sales down 2% to \$4.0 million
 - OUS sales (inc. China), down 15% to \$1.0 million
 - Account level feedback in the USA indicates sluggish sales momentum is not price-related (low double-digit ASP increase taken in 4QFY19)
- Strategic review of iTrack business; changes implemented
 - Appointment of VP, Glaucoma Solutions; commenced 18 November & responsibilities for the glaucoma business in the USA
 - Appointment of Asia Pacific specialist for iTrack to support continued China growth profile and new market entries
 - Extended product marketing initiatives to drive clinical awareness and adoption
 - Aligned field sales compensation plan to drive adoption at new + existing Ambulatory Surgical Centres (ASCs)
 - Solid US reimbursement outlook: 2020 final payment rule (US Medicare) ~4% increase in payment for ASC/hospital, physician procedure fee unchanged
 - Strong sales performance trend month to date for November, with worldwide sales up 27% on the pcp
- We continue to innovate on our current iTrack product and expect to introduce new product enhancements to the market



Potential Sale of Ellex Lasers & Ultrasound

- Unsolicited non-binding conditional offer to acquire the Ellex Lasers & Ultrasound business received from major European group
- Unsolicited approach by this group endorses Ellex's strong brand, market position in the ophthalmic laser segment, globally
- The group sees considerable value in Ellex's R&D capability, manufacturing infrastructure and channel to market
- Voluntary suspension requested because of proximity of the offer to the AGM
- Ellex is in advanced discussions, and has granted the group a 14 day period of exclusivity to conduct due diligence and negotiate definitive transaction documents
- Ellex expects to update the market by mid December with an announcement that transaction documents have been entered into, or that discussions have ceased
- Shareholders should note there is no guarantee a transaction will be completed at this stage



Outlook

Subject to changes that would result from a transaction of the Ellex Lasers & Ultrasound business:

- FY20 group EBITDA expected to show an improvement versus FY19, subject to global economic conditions and foreign exchange rates
- Despite the challenging start to FY20, on a full year basis, Ellex expects iTrack growth versus the pcp, with positive EBITDA contribution in the 2H FY20
- Continued focus on OPEX control as investing phase moves to sales execution
- Focus on reduction in working capital requirement, particularly inventory
- Appointment of permanent CEO early in 2020



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QUESTIONS/DISCUSSION